

Accounting Roundup

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GASB Developments

GASB Issues Proposed Concepts Statement, *Elements of Financial Statements*

This month the GASB issued a proposed Concepts Statement, *Elements of Financial Statements*. The Concepts Statement defines the seven elements of governmental financial statements, including assets, liabilities, a deferred outflow of resources, a deferred inflow of resources, net assets, outflow of resources, and inflow of resources. In addition, the Concepts Statement introduces the concept of "resources," described as items with present service capacity, as a central feature of each of the definitions. When this Concepts Statement is finalized, it will be the fourth Concepts Statement issued by the GASB since 1987. The GASB intends to begin work on a fifth Concepts Statement regarding recognition and measurement attributes. When taken together, the Concepts Statements form the conceptual framework to guide the Board's development of accounting and financial reporting standards.

A [press release](#) and the [proposed Concepts Statement](#), including specific issues to be addressed by constituents through comments, are available on the GASB's Web site. Comments are due November 17, 2006.

AICPA Developments

Conforming Changes Made to Standard on Reporting on a Nonissuer's Internal Control Over Financial Reporting To Achieve Consistency with SAS 112

As discussed in the [June](#) issue of *Accounting Roundup*, following its decision to defer the issuance of a final revised standard on reporting on a nonissuer's internal control over financial reporting (AT Section 501¹), the ASB indicated its intent to incorporate the definitions of "material weakness," "significant deficiency," and "control deficiency" and related guidance on identifying and evaluating control deficiencies and communicating significant deficiencies and material weaknesses into the current AT Section 501. These conforming

¹ AICPA Professional Standards, AT Section 501, "Reporting on an Entity's Internal Control Over Financial Reporting."

amendments are required to achieve **consistency with the recently issued SAS 112.**² As a result the AICPA has made conforming changes to AT Section 501 to incorporate relevant terms, definitions, and guidance in SAS 112. The changes made to AT Section 501 are as follows:

- Deleting the term *reportable condition* and its definition.
- Replacing the definition of the term *material weakness*.
- Introducing the terms *control deficiency* and *significant deficiency* and their related definitions.
- Replacing the guidance on evaluating control deficiencies with the relevant guidance from SAS No. 112.
- Replacing the term *audit committee* with the term *those charged with governance* (defined in SAS No. 103, Audit Documentation) to describe the party to whom the practitioner must communicate significant deficiencies and material weaknesses.
- Identifying areas in which a control deficiency ordinarily is at least a significant deficiency in internal control.
- Identifying indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.
- Requiring the practitioner to communicate to management and those charged with governance, in writing, significant deficiencies and material weaknesses.

The conforming changes are effective when the subject matter or assertion is as of or for the period ending on or after December 15, 2006, with earlier application permitted. The [Executive Summary](#) along with the [conformed AT Section 501](#) document is available on the AICPA's Web site.

Audit Risk Alert: Not-for-Profit Organizations Industry Developments

The AICPA issued an Audit Risk Alert intended to provide auditors of financial statements of **not-for-profit organizations** with an overview of recent economic, technical, industry, regulatory, and professional developments affecting the industry. Although the publication is not authoritative, it may be helpful to the auditor in applying SASs. A copy of the [Audit Risk Alert](#) is available on the AICPA's Web site.

SEC Developments

SEC Finalizes Disclosure Requirements for Executive and Director Compensation

On August 11, 2006, the SEC issued a final rule³ regarding increased **disclosure requirements for executive and director compensation**. The final rule adopts amendments to the disclosure requirements of total compensation for the principal executive officer, the principal financial officer, and up to three other most highly paid officers. In addition, the compensation disclosures for directors have been expanded and now all compensation to each director must be disclosed in a separate summary compensation table. The amendments are intended to provide a clearer and more complete picture of the total compensation of such individuals.

The new requirements combine a **broader-based tabular presentation** with **improved narrative** disclosure supplementing the tables. Under the requirements, all elements of compensation must be disclosed. The disclosures begin with a narrative overview entitled "Compensation Discussion and Analysis," which includes material factors in determining compensation policies and decisions reflected in the data in the subsequent tables. The discussion should include items such as the design and objectives of the company's compensation program and how the elements are calculated and paid. A company's policies, programs, and practices regarding the awarding of stock options should also be discussed in this section. A company is required to disclose if it has, or intends to have, a plan or practice of setting the exercise price of stock options at other than the market price at the grant date and/or a plan or practice of setting grant dates in coordination with the release of non-public information.

² AICPA Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit.

³ SEC Final Rule, *Executive Compensation and Related Person Disclosure*.

Tabular disclosures for three broad categories must follow the Compensation Discussion and Analysis:

- A Summary Compensation table that presents compensation paid or currently deferred, consisting of current earnings or awards that are part of a plan. Certain data in the Summary Compensation table will be supplemented by additional tabular disclosures.
- Holdings of equity-related interests that relate to compensation or are potential sources of future gains, which includes three potential tables: a Grants of Plan-Based Awards table, an Outstanding Equity Awards at Fiscal Year End table; and an Option Exercises and Stock Vested table.
- Retirement and other post-employment compensation, which includes a Pension Benefits table and a Nonqualified Deferred Compensation table.

The release also requires appropriate narrative disclosure to provide material information necessary to understand the information in the tables.

The new requirements will be effective in Forms 8-K for triggering events that occur on or after 60 days after publication in the Federal Register, in Forms 10-K and 10-KSB for fiscal years ending on or after December 15, 2006, and in registration and proxy/information statements filed after December 15, 2006.

Included within the final rule is a request for comments on a proposed requirement for compensation disclosure on up to three additional employees who are not executive officers and whose total compensation exceeds that of any of the named executive officers. Comments should be submitted to the SEC within 45 days after publication in the Federal Register.

The [final rule](#), as well as the instructions and contact information for comments, are available on the SEC's Web site. Also see Deloitte & Touche's [Heads Up](#) for further information.

Extension of Section 404 Compliance for Certain Companies

On August 9, 2006, the SEC issued a proposed rule⁴ that includes an extension of dates for compliance with the Section 404 requirements of the Sarbanes-Oxley Act of 2002 for **non-accelerated filers** and a permanent transition period for Section 404 compliance for any **newly public company**. The SEC also issued a final rule⁵ extending compliance for the auditor's attestation for **foreign private issuers (FPIs)** that are accelerated filers (but not large accelerated filers⁶). See the details of each release below.

Comments on the proposed rule extending the compliance deadlines for non-accelerated filers and the transition relief for newly public companies should be submitted to the SEC on or before September 14, 2006. The [press release](#) and SEC rules, as well as the instructions and contact information for comments, are available on the SEC's Web site. Also see Deloitte & Touche's [Heads Up](#) on the final and proposed rules for further information.

Proposed Rule, *Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies*

The proposed rule includes the following:

1. **Proposed Relief From Section 404 Compliance Dates for Smaller Companies**

The rule proposes to extend the date by which non-accelerated filers must provide management's report assessing the effectiveness of the company's internal control over financial reporting from fiscal years ending on or after July 15, 2007, to fiscal years ending on or after December 15, 2007. In addition, the rule proposes to extend the effective date for the auditor's attestation report on internal control over financial reporting to the first annual report for a fiscal year ending on or after December 15, 2008.

2. **Proposed Transition Relief for Newly Public Companies**

The rule also proposes a transition period for Section 404 compliance for all newly public companies (i.e., any company that has become public through an initial public offering or a registered exchange offer, or that

⁴ SEC Proposed Rule, *Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies*.

⁵ SEC Final Rule, *Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Foreign Private Issuers That Are Accelerated Filers*.

⁶ Among other criteria, large accelerated filers have a public float of \$700 million or more as of the last day of their most recently completed second fiscal quarter.

otherwise becomes subject to the Exchange Act reporting requirements, including an FPI that is listing on a U.S. exchange for the first time). Under the proposed rule, a newly public company, regardless of its size, will not be required to provide either a management assessment of internal control over financial reporting or an auditor attestation report thereon until it files its second annual report with the SEC.

Final Rule, Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Foreign Private Issuers That Are Accelerated Filers

The final rule grants relief from Section 404(b) compliance for FPIs that are accelerated filers (but not large accelerated filers) and that file their annual reports on Forms 20-F or 40-F. Accordingly, for such issuers the compliance date for providing an auditor's attestation report on internal control over financial reporting in their annual reports is extended for an additional year, to fiscal years ending on or after July 15, 2007. However, management's report is still required for fiscal years ending on or after July 15, 2006. The rule does not change the current requirements for compliance with Section 404 for large accelerated FPIs, which is for fiscal years ending on or after July 15, 2006.

SEC Moving Forward to Develop Software to Demonstrate the Interactive Capabilities of XBRL

The SEC issued a Request for Proposal (RFP) to develop **prototype Web-based** analysis software that will, as the solicitation states, "unlock the interactive capabilities of XBRL documents." In 2005, the SEC initiated a volunteer program encouraging companies to submit unofficial financial statements and other filings in eXtensible Business Reporting Language (XBRL). There are currently over two dozen participants in the program. The XBRL documents are accessible on the SEC's public Web site; however, they are difficult to view without XBRL enabled software.

The RFP states that the prototype is meant to demonstrate the interactive features of the XBRL documents. It is not meant to have a full set of capabilities, but rather to stimulate the market to further develop these types of capabilities. The system would allow users to gather and analyze data from filings without any knowledge of the XBRL language. In addition, a few of the expected capabilities of the system include the ability to:

- Perform analysis on one or many companies.
- View summary statistics or ratios based on the data.
- Perform comparisons across time or companies.
- Filter or screen the data based on the user's criteria.
- Save end-user preferences of views, screens, or searches.

The project is expected to be awarded prior to September 22, 2006. Watch for updates on when the system is expected to be operational. The [press release](#) announcing the RFP is available on the SEC's Web site.

SEC and CESR Launch Work Plan Focused on Financial Reporting

The SEC and the Committee of European Securities Regulators (CESR) have been in discussion since 2004 to further the development and coordination of transatlantic financial markets. As a result, the SEC and CESR issued a [press release](#) announcing a joint work plan to be implemented immediately. The work plan covers three key issues:

1. The application by internationally active companies of IFRS and U.S. GAAP in the United States and the European Union, respectively;
2. Modernization of financial reporting and disclosure (i.e., the use of interactive data); and
3. Discussion of practices regarding risk-based regulation.

The work plan includes a description of each goal and the next steps to achieve that goal. The main focus of the work plan is to review the implementation of IFRS in the United States and the implementation of U.S. GAAP in the European Union during regular reviews of corporate filings. Based on the findings of those reviews, the staff of the SEC and CESR-Fin, the expert group within CESR focused on financial reporting, will share information that will be helpful to ensure quality and consistent application of IFRS and U.S. GAAP.

A copy of the [work plan](#) is included in the press release as made available on the SEC's Web site.

International Developments

IFRIC Issues Draft Interpretation on Asset Ceiling and Minimum Funding Requirements Related to Employee Benefits

In response to requests to clarify the interaction between statutory or contractual minimum funding requirements and the requirements of IAS 19,⁷ the IASB announced in a [press release](#) that it had issued Draft Interpretation D19.⁸ Paragraph 6 of the Draft Interpretation outlines the issues covered therein as follows:

- The extent, if any, to which the availability of an economic benefit is affected by restrictions on its current realizability (i.e., the entity's ability to receive a refund or a reduction in future contributions at the balance sheet date).
- When there is a minimum funding requirement, the calculation of the amount of the economic benefit available as:
 - A refund.
 - A reduction in contributions.
- The effect of a minimum funding requirement on the measurement of the defined benefit asset or liability.

The effective date of this Interpretation will be for annual periods beginning on or after three months after the finalization of the Interpretation with earlier application encouraged. In accordance with IAS 8,⁹ entities shall retrospectively apply this Interpretation.

The [Draft Interpretation](#) and press release are available on the IASB's Web site. Comments are due October 31, 2006.

IASB Posts Latest Version of Exposure Draft on Small and Medium-Sized Entities

The IASB has updated an [Exposure Draft](#) to develop an International Financial Reporting Standard for **small and medium-sized entities** (SMEs). The draft defines SMEs as entities that do not have public accountability but do publish general purpose financial statements for external users. This draft reflects the cumulative tentative decisions made by the Board through the conclusion of the July 2006 meeting. A [press release](#) announcing the posting of the latest version of the Exposure Draft is available on the IASB's Web site. The Exposure Draft has been posted for informational purposes only, and the IASB is not seeking comments.

Other Developments

GAO Releases a Report Studying Financial Restatements

The Center for Public Company Audit Firms (CPCAF) has released a summary of the July 2006 Government Accountability Office (GAO) report entitled [Financial Restatements — Update of Public Company Trends, Market Impacts, and Regulatory Enforcement Activities](#). The report, an update of a report issued in 2002 relating to restatements between 1997 and 2002, looked at financial statements from 2002 through September 2005. The purpose of the report is to examine the **recent trends in restatements**, including the number of and reasons for the restatements, and to analyze the impact of the restatements on a company's market capitalization.

⁷ See paragraph 58 of IAS 19, *Employee Benefits*.

⁸ IFRIC Draft Interpretation D19, *IAS 19 — The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*.

⁹ IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

The following highlights some of the findings of the GAO in the report:

- Announcements of restatements increased 67 percent, to 523 in 2005 from 314 in 2002.
- Restatement announcements were most frequently made for cost or expense related items in the financial statements.
- Fifty-eight percent of restatement announcements were prompted by management or internal audit.
- Market capitalization declines due to the restatement announcements decreased to an average of 2 percent, from 10 percent in the 2002 study.
- Between September 2004 and September 2005, about 21 percent of companies identified by the GAO as having restated financial statements, had not properly announced their intention to restate.
- Enforcement actions by the SEC have increased to an average of 588 per year for years 2002–2005 from 497 per year for years 1998–2001.

The GAO report states a variety of factors that appear to have contributed to the increase in restatement announcements, including increased accountability requirements on company executives; increased focus on internal controls for financial reporting; increased auditor and regulatory scrutiny; and a general unwillingness on the part of companies to not restate, regardless of the significance of the event.

The [complete study](#) can be obtained at the GAO's Web site, www.gao.gov.

Appendix A: Recent Meetings

Recent FASB Meetings

To jump to the minutes of a FASB meeting, click a title below.

Conceptual Framework (July 26)

In conjunction with phase B of the joint IASB/FASB conceptual framework project, the Board discussed the following proposed working definition of an asset:

An asset is a present economic resource to which an entity has a present right or other privileged access. An asset of an entity has three essential characteristics:

1. There is an economic resource.
2. The entity has rights or other privileged access to the economic resource.
3. The economic resource and the rights or other privileged access both exist at the financial statement date.

The Board decided that certain aspects of the definition and amplifying text, particularly the meaning of economic resource and the relationship of rights to contractual promises, needed further development. Therefore, they directed the staff to continue working on the definition, and the Board anticipates discussing the proposed working definition of a liability together with clarifying revisions to the proposed working definition of an asset in September 2006.

Fair Value Measurements (August 16)

After discussing the timing of a final Statement on fair value measurements, the Board authorized the staff to proceed to a revised draft of the Statement for vote by written ballot. The Board plans to issue the Statement in September 2006.

Fair Value Option (August 16)

The following decisions were made upon redeliberation of the scope of Phase 1 of the project:

1. The following items will remain in the scope of Phase 1:
 - a. Equity method investments with no eligibility criteria imposed; an entity will be required to apply the fair value option, if elected, to all of its financial investments (equity and debt) in an investee, rather than on a contract-by-contract basis; and an entity may irrevocably elect the fair value option upon obtaining the ability to exercise significant influence.
 - b. Investments in equity securities that do not have a readily determinable fair value and no eligibility criteria will be imposed for such investments.
 - c. Insurance and reinsurance contracts that meet the definition of a financial instrument. Also, insurance contracts that do not prohibit settlement of the insurer's obligation by payment to a third-party provider of goods or services rather than by payment to the insured or other claimant also will be included in Phase 1.
 - d. Warranty rights and obligations that meet the definition of a financial instrument. Also, warranty rights and obligations that do not prohibit settlement of the warranty obligation by payment to a third-party provider of goods or services rather than by payment to the claimant also will be included in Phase 1.

- e. Unconditional purchase obligations that are recorded as financial liabilities on the purchaser's statement of financial position as discussed in paragraph 10 of FASB Statement No. 47, *Disclosure of Long-Term Obligations*.
 - f. Otherwise unrecognized firm commitments that satisfy the definition of a firm commitment in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and involve only financial instruments.
2. Written loan commitments not accounted for under Statement 133 will no longer be excluded from the scope of Phase 1.
 3. Demand deposit accounts will be considered in Phase 2 of the project and will be defined in a manner consistent with the IASB.
 4. Certain items excluded from the scope of FASB Statement No. 107, *Disclosures About Fair Value of Financial Instruments*, will also be excluded from the scope of Phase 1, including:
 - a. Interests that would otherwise be consolidated.
 - b. Financial assets and financial liabilities recognized under lease contracts as defined in FASB Statement No. 13, *Accounting for Leases*.
 - c. Employers' and plans' financial obligations for pension benefits, other postretirement benefits (including health care and life insurance benefits), postemployment benefits, employee stock option and stock purchase plans, and other forms of deferred compensation arrangements.
 5. No additional reference to the exclusion of income tax assets and liabilities will be made in the standards section of the final Statement.

Financial Guarantee Insurance (August 9)

The Board decided that before concluding on the appropriate claims recognition approach, they would explore further an approach that would value the stand-ready loss liability using only certain transaction-specific inputs, such as the credit rating of the underlying insured security and the time value of money.

Financial Instruments: Liabilities and Equity (August 16)

The Board asked the staff to develop the ownership approach for further comparisons with other approaches and decided:

1. Under the ownership approach, all fair value changes in equity derivative instruments (and any other instruments that are measured at fair value) should be recognized in net income.
2. Presentation issues arising from measuring instruments at fair value will not be addressed at this stage of the project, but rather in the exposure draft process.

GAAP Hierarchy (August 9)

Considering certain GAAP hierarchy issues that were raised by constituents subsequent to redeliberations of the FASB Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles*, the Board decided:

- Grandfathering provisions in SAS 69¹⁰ related to EITF Issues and AICPA Statements of Position should not be included in the final Statement.
- EITF D-Topics will be included in category (c) of the GAAP hierarchy. Also, a footnote stating that SEC observer comments are accounting principles for SEC registrants will be added.
- A "near-final" version of the final Statement will be posted to the FASB's Web site.

¹⁰ AICPA Statement on Auditing Standards No. 69 (AU Section 411), *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.

Measurement of Certain Nonfinancial Assets and Nonfinancial Liabilities (July 26)

The Board decided to provide guidance to address the diversity in practice that has arisen with respect to the use of an entity's own assumptions, rather than market-participant assumptions, to measure the fair value of nonfinancial assets and nonfinancial liabilities. The Board directed the staff to develop alternative approaches for discussion at a future Board meeting.

Postretirement Benefit Obligations, Including Pensions (July 26)

The Board made the following decisions related to the effective date for the recognition provisions:

1. The effective date for a public entity, as defined in FASB Statement No. 123 (revised 2004), *Share-Based Payment*, would be its fiscal year ending after December 15, 2006.
2. The effective date for a nonpublic entity would be extended one year from the original proposal to the fiscal year ending after June 15, 2007.

The Board made the following decisions related to the proposed amendments to the measurement date provisions of FASB Statements No. 87, *Employers' Accounting for Pensions*, and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*:

1. Effective for fiscal years ending after December 15, 2008, for both public and nonpublic entities, the Board affirmed the proposal to require measurement of plan assets and benefit obligations as of the date of the employer's statement of financial position.
2. The Board decided to allow an alternative transition method where the net periodic benefit cost would be determined using the prior measurement date. The periodic benefit cost would be proportionally allocated to the current fiscal year with the remaining portion recognized as an adjustment to retained earnings.

Also, the Board decided that the illustrations included in Statements 87 and 106 of continuing relevance will be updated, and published in the form of an FSP, following issuance of a final Statement.

Postretirement Benefit Obligations, Including Pensions (August 2)

Continuing redeliberations of its March 2006 Exposure Draft, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, the Board made the following decisions related to disclosures:

1. The Board affirmed the proposals in the Exposure Draft, with minor changes, related to disclosures for an employer (including a not-for-profit employer) that is a business entity that sponsors one or more defined benefit pensions or other postretirement benefit plans.
2. Regarding specific disclosures that would be required by plan sponsors in the period the provisions of the final Statement are adopted, the Board made the following decisions:
 - a. To require a tabular disclosure of the effects of the change in accounting on line items in the statement of financial position.
 - b. To require an employer that is a business entity to report the effect of the change in accounting on retained earnings and other comprehensive income as separate line items in the statement of changes in shareholders' equity. A not-for-profit employer would report the effect on unrestricted net assets as a separate line item, outside of any performance indicator or other intermediate measure of operations, in the statement of activities.
 - c. Not to require compliance with other disclosure requirements in FASB Statement No. 154, *Accounting Changes and Error Corrections*.
 - d. Not to require pro forma disclosure of the effect of the recognition provisions on the employer's statement of financial position for the fiscal year end preceding the fiscal year of adoption.
 - e. To require that a nonpublic entity, as defined in the final Statement, must disclose in any financial statements issued for fiscal years ending after December 15, 2006, but before implementation of the

final Statement, a description of the new standard, the date that adoption is required, and the planned adoption date.

3. The Board decided not to expand the scope of Phase 1 to include other disclosures suggested by respondents. Those disclosures will be considered in Phase 2.
4. The Board also decided not to expand the scope of Phase 1 to consider several other suggestions made by respondents, including guidance related to the selection of discount rates, the use of estimation, the option of simplified remeasurements during interim periods, and the effect of the Statement on hedging net investments in foreign subsidiaries.

Proposed FASB Staff Position No. FAS 123(R)-f (July 26)

The Board decided to issue a [proposed FSP](#) to address certain technical corrections of FASB Statement No. 123 (revised 2004), *Share-Based Payment*. See the [July](#) issue of *Accounting Roundup* for the article discussing the issuance of the proposed FSP.

Revenue Recognition (July 26)

The Board decided that revenue should be recognized as the reporting entity performs under the contract and creates (produces) an asset for its customer if the legal remedy, in the event of a breach, is one of the following:

1. Specific performance.
2. Partial physical settlement.
3. Net cash settlement.

The Board also decided that if the contract contains explicit customer acceptance provisions specifying certain dates during the term that the customer must compensate the reporting entity with no other legal remedies, then revenue would be recognized only at those specified acceptance points.

Statement 133 Implementation: Hedging Foreign Exchange Risk for a Forecasted Foreign-Currency-Denominated Debt Issuance (August 16)

The Board deferred making a decision on the issuance of proposed Statement 133 Implementation Issue, "Hedging Functional-Currency-Equivalent Proceeds to Be Received from a Forecasted Foreign-Currency-Denominated Debt Issuance," until further analysis, including additional examples, is presented at a future meeting.

Texas Franchise Tax (August 2)

The Board decided not to add a project to its agenda related to the Texas Franchise Act.

Transfers of Financial Assets (July 26)

The Board decided:

1. To continue the redeliberations of the proposed guidance related to rollovers of beneficial interests.
2. To address issues on the permitted activities of a QSPE jointly by combining the servicer discretion and transfers projects.
3. To reverse a previous decision and redeliberate the issues on initial measurement of interests that continue to be held by the transferor and passive derivative financial instruments held by a QSPE that pertain to a transferor's beneficial interests.
4. To defer making a decision on participating interests (paragraph 8(a)) and transferability requirements (paragraph 9(b)) until completion of redeliberations of the permitted activities of a QSPE and the effects of continuing involvements on isolation.

FASB Project Summaries and Meeting Minutes

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

Recent EITF Agenda Committee Decisions

At its August 3, 2006, meeting, the EITF Agenda Committee discussed the following issues and decided:

- Accounting for Stock Options and Warrants in the Determination of Basic Earnings per Share Pursuant to Paragraph 10 of FASB Statement No. 128, *Earnings per Share* — The Agenda Committee deferred making a decision on this potential new issue pending a decision on the Committee's recommendation that the FASB and the IASB include this issue as part of the short-term international convergence project on earnings per share.
- Application of FASB Statement No. 123 (revised 2004), *Share-Based Payment*, to Book Value Employee Stock Purchase Plans When a Nonpublic Entity Becomes a Public Entity — The Agenda Committee decided not to add this issue to the EITF's agenda. Based on a request from the Committee, the FASB staff agreed to pursue the issuance of a FASB Staff Position to provide guidance on this issue.
- Subsequent Accounting for Executory Contracts Acquired in a Business Combination Initially Recorded at Fair Value under EITF Issue No. 03-17, "Subsequent Accounting for Executory Contracts That Have Been Recognized on an Entity's Balance Sheet" — The Agenda Committee will recommend that the Task Force continue deliberations on this issue.
- Accounting for the Deferred Compensation and Postretirement Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements — The Agenda Committee deferred making a decision on this potential new issue pending the outcome of EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements."

The following issues were added to the EITF Agenda:

- Reporting the Elimination of Previously Existing Differences Between the Fiscal Year-End of a Parent Company and Those of Its Consolidated Subsidiaries to be discussed at the September 2006 meeting.
- Application of the Assessment of a Continuing Investment in Paragraph 12 of FASB Statement No. 66, *Accounting for Sales of Real Estate*, to a Sale of a Condominium to be discussed at the September 2006 meeting.
- Application of AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities*, to Entities That Engage in Commodity Trading Activities to be discussed at the November 2006 meeting.
- Accounting for Joint Development, Manufacturing, and Marketing Arrangements in the Biotechnology and Pharmaceutical Industries to be discussed at the November 2006 meeting.

The EITF [Agenda Committee Report](#) and the EITF [meeting materials and minutes](#) are available on the FASB's Web site.

Recent ASB Meeting

At its August 22–23, 2006, meeting, the Auditing Standards Board discussed the following:

- Comments received on the Proposed Statement on Auditing Standards, *The Auditors' Communication With Those Charged With Governance*.
- Clarity of ASB's Standards.
- Issues related to the IAASB's proposed revisions to ISA 620, *Using the Work of an Expert*.
- Draft document, *Reports on Audited Financial Statements*.

The ASB [meeting agenda and material](#) are available on the AICPA's Web site.

Appendix B: Significant Adoption Dates and Deadlines

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

FASB	Status
Significant Adoption Dates	
Statement 156, <i>Accounting for Servicing of Financial Assets</i> — an amendment of FASB Statement No. 140	Effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006.
Statement 155, <i>Accounting for Certain Hybrid Financial Instruments</i> — an amendment of FASB Statements No. 133 and 140	Effective for all financial instruments acquired, issued, or subject to a remeasurement (new basis) event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006.
Statement 154, <i>Accounting Changes and Error Corrections</i> — a replacement of APB Opinion No. 20 and FASB Statement No. 3	Effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.
Statement 123(R), <i>Share-Based Payment</i> (reflecting change in effective dates for public companies as a result of the SEC's Final Rule amending Rule 4-01(a) of Regulation S-X)	Effective for public entities (other than those filing as small business issuers) as of the first interim or annual reporting period of the registrant's first fiscal year 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 of the registrant's first fiscal year 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, <i>Accounting for Conditional Asset Retirement Obligations</i> — an interpretation of FASB Statement No. 143	Effective as of the end of fiscal years ending after December 15, 2005.
Interpretation 48, <i>Accounting for Uncertainty in Income Taxes</i> — an interpretation of FASB Statement No. 109	Effective for fiscal years beginning after December 15, 2006.
FSP FAS 140-2, "Clarification of the Application of Paragraphs 40(b) and 40(c) of FASB Statement No. 140"	Effective as of November 9, 2005.
FSP FAS 123(R)-4, "Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement Upon the Occurrence of a Contingent Event"	Effective upon initial adoption of Statement 123(R). For an entity that adopted Statement 123(R) prior to February 3, 2006, this FSP is effective for the first reporting period beginning after February 3, 2006.
FSP FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards"	Effective after November 10, 2005. Entities may take up to one year from the later of the initial adoption of Statement 123(R) or the effective date of the FSP to make its election.
FSP FAS 123(R)-2, "Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123(R)"	Effective upon initial adoption of Statement 123(R). For an entity that adopted Statement 123(R) prior to October 18, 2005, this FSP is effective for the first reporting period after October 18, 2005, for which financial statements or interim reports have not been issued.
FSP FAS 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services Under FASB Statement No. 123(R)"	Effective upon initial adoption of Statement 123(R). For an entity that adopted Statement 123(R) prior to August 31, 2005, this FSP is effective for either (a) the first reporting period beginning after August 31, 2005, or (b) an earlier period if the financial statements for that period have not been issued.
FSP FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"	Effective for reporting periods beginning after December 15, 2005.
FSP FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period"	Effective for the first reporting period beginning after December 15, 2005. Lessees should cease capitalizing rental costs as of the effective date of this FSP for operating lease arrangements entered into prior to that date.

FSP FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction"	Effective for fiscal years beginning after December 15, 2006.
FSP FIN 45-3, "Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners"	Effective for new minimum revenue guarantees issued or modified on or after the beginning of the first fiscal quarter following November 10, 2005.
FSP FIN 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)"	Effective the first day of the first reporting period beginning after June 15, 2006.
FSP SOP 94-6-1, "Terms of Loan Products That May Give Rise to a Concentration of Credit Risk"	Effective for interim and annual periods ending after December 19, 2005.
FSP SOP 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5"	Effective after June 29, 2005, for new limited partnership agreements and for pre-existing limited partnership agreements that are modified; otherwise, effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005.
FSP AAG INV-1 and SOP 94-4-1, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans"	The financial statement presentation and disclosure guidance is effective for annual periods ending after December 15, 2006. The revised definition of fully benefit-responsive is effective for all investment contracts as of the last day of the annual period ending after December 15, 2006.
FSP FTB 85-4-1, "Accounting for Life Settlement Contracts by Third Party Investors"	Effective for fiscal years beginning after June 15, 2006.
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).
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).
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. B39, "Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor"	Effective the first day of the first fiscal quarter beginning after December 15, 2005.
Statement 133 Implementation Issue No. B38, "Embedded Derivatives: Evaluation of Net Settlement With Respect to the Settlement of a Debt Instrument Through Exercise of an Embedded Put Option or Call Option"	Effective the first day of the first fiscal quarter beginning after December 15, 2005.
Projects in Exposure-Draft or Request-for-Comment Stage	
FASB Preliminary Views, <i>Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information</i>	Comments due November 3, 2006.
Proposed FSP FAS 123(R)-f, "Technical Corrections of FASB Statement No. 123(R)"	Comments due September 2, 2006.
EITF	Status
Significant Adoption Dates	
Issue 06-3, "How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)"	Effective for financial statements for interim and annual periods beginning after December 15, 2006.
Issue 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43"	Effective for fiscal years beginning after December 15, 2006.

Issue 05-8, "Income Tax Consequence of Issuing Convertible Debt With a Beneficial Conversion Feature"	Effective for the first interim or annual reporting period beginning after December 15, 2005.
Issue 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues"	Effective for future modifications of debt instruments that occur in all interim and annual reporting periods beginning after December 15, 2005. Public companies should also consider the remarks of the SEC Staff at the December 2004 AICPA Conference on Current SEC and PCAOB Developments stating that public companies should include the change in fair value of a modified conversion option in their Issue 96-19 cash flow analysis.
Issue 05-5, "Accounting for Early Retirement or Postemployment Programs With Specific Features (Such as Terms Specified in Altersteilzeit Early Retirement Arrangements)"	Effective for fiscal years beginning after December 15, 2005.
Issue 05-1, "Accounting for the Conversion of an Instrument That Became Convertible Upon the Issuer's Exercise of a Call Option"	Effective for all conversions within the scope of the issue that result from the exercise of call options in interim or annual reporting periods beginning after June 28, 2006.
Issue 04-13, "Accounting for Purchases and Sales of Inventory With the Same Counterparty"	Effective for new inventory arrangements entered into, or modifications or renewals of existing inventory arrangements occurring, in interim or annual reporting periods beginning after March 15, 2006.
Issue 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"	Effective for fiscal years ending after September 15, 2005.
Issue 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"	Effective for fiscal years beginning after December 15, 2005.
Issue 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights"	Effective after June 29, 2005, for new limited partnership agreements and for pre-existing limited partnership agreements that are modified; otherwise, effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005.
Topic D-98, "Classification and Measurement of Redeemable Securities"	Effective for the first fiscal quarter ending after December 15, 2001, except that paragraph 19 is effective for the first fiscal period beginning after September 15, 2005.
GASB/GAO	Status
Significant Adoption Dates	
GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>	Effective for: <ul style="list-style-type: none"> Phase I governments in periods beginning after December 15, 2006. Phase 2 governments in periods beginning after December 15, 2007. Phase 3 governments in periods beginning after December 15, 2008.
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 Technical Bulletin No. 2006-1, <i>Accounting and Financial Reporting by Employers and OPEB Plans for Payments From the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D</i>	Effective for financial statements issued after June 30, 2006, except for portions of answers pertaining specifically to measurement, recognition, or required supplementary information requirements of Statements 43 and 45. Those provisions would be applied upon the adoption of Statements 43 and 45.
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 should be applied simultaneously with the requirements of GASB Statement 45.

Project in Exposure-Draft Stage	
GASB Proposed Concepts Statement, <i>Elements of Financial Statements</i>	Comments due November 17, 2006.
AICPA/AcSEC	Status
Significant Adoption Dates	
SOP 06-1, <i>Reporting Pursuant to the Global Investment Performance Standards</i>	Effective April 6, 2006.
SOP 05-1, <i>Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts</i>	Effective for internal replacements occurring in fiscal years beginning after December 15, 2006. Initial application of this SOP should be as of the beginning of an entity's fiscal year.
SAS 112, <i>Communicating Internal Control Matters Identified in an Audit</i>	Effective for audits of financial statements for periods ending on or after December 15, 2006.
SAS 111, <i>Amendment to Statement on Auditing Standards No. 39, Audit Sampling</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 110, <i>Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 109, <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 108, <i>Planning and Supervision</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 107, <i>Audit Risk and Materiality in Conducting an Audit</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 106, <i>Audit Evidence</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 105, <i>Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 104, <i>Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures ("Due Professional Care in the Performance of Work")</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 103, <i>Audit Documentation</i>	Effective for periods ending on or after December 15, 2006.
SAS 102, <i>Defining Professional Requirements in Statements on Auditing Standards</i> , and SSAE No. 13, <i>Defining Professional Requirements in Statements on Standards for Attestation Engagements</i>	Effective December 2005.
Conforming changes to AICPA Professional Standards, AT Section 501 — <i>Reporting on an Entity's Internal Control Over Financial Reporting</i> , resulting from SAS 112	Effective when the subject matter or the assertion is as of or for the period ending on or after December 15, 2006.
AICPA Professional Standards, ET Section 100.01 — <i>Conceptual Framework for AICPA Independence Standards</i>	Effective for all independence decisions made as of April 30, 2007.
Revision to AICPA Professional Standards, ET Section 501.02	Effective April 30, 2006.
AICPA Center for Public Company Audit Firms Alert #90, <i>SEC Staff Position Regarding Changes to the Statement of Cash Flows Relating to Discontinued Operations</i>	Effective February 15, 2006. Retrospective modifications to presentations of the cash flows pertaining to discontinued operations in the first periodic report filed subsequent to February 15, 2006, may be treated in a manner similar to a change in accounting method with no reference to the correction of an error. Modifications in subsequent filings should be treated as a correction of an error.
AICPA Center for Public Company Audit Firms Alert #98, <i>Update to SEC Staff Position Regarding Changes to the Statement of Cash Flows Relating to Discontinued Operations (Addendum to CPCA Alert #90)</i>	Effective April 19, 2006.

AICPA Center for Public Company Audit Firms Paper, <i>Guidance for Firms Issuing Audit Reports for Non-Issuers That Are Filed With the SEC</i>	Effective March 10, 2006.
Projects in Exposure-Draft Stage	
AICPA ASB Proposed Statement on Standards for Attestation Engagement, <i>SSAE Hierarchy</i>	Comments due September 15, 2006.
AICPA ASB Proposed Statement on Auditing Standards, <i>Omnibus — 2006</i>	Comments due September 15, 2006.
AICPA ASB Proposed Statement on Quality Control Standards, <i>A Firm's System of Quality Control</i>	Comments due September 30, 2006.
SEC	Status
Significant Adoption Dates	
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Foreign Private Issuers That Are Accelerated Filers</i>	For FPIs that are accelerated filers (but not large accelerated filers), auditor's attestation report on internal control over financial reporting must be included with annual reports for fiscal years ending on or after July 15, 2007. Management's report is required for fiscal years ending on or after July 15, 2006.
Final Rule, <i>Executive Compensation and Related Person Disclosure</i>	In Forms 8-K, effective for triggering events that occur on or after 60 days after publication in the Federal Register and in Forms 10-K and 10KSB for fiscal years ending on or after December 15, 2006, and in registration and proxy/information statements filed after December 15, 2006.
Final Rule, <i>Fund of Funds Investments</i>	Effective July 31, 2006.
SEC Amendments to Forms N-1A, N-2, N-3, N-4, and N-6	All new registration statements filed on the investment company forms and all post-effective amendments that are annual updates to effective registration statements on the investment company forms filed on or after January 2, 2007, must include the disclosure required by the form amendments.
Final Rule, <i>Postponement of the Phase-in Period for Acceleration of Periodic Report Filing Dates for Large Accelerated Filers and Accelerated Filers</i>	Effective December 27, 2005.
Final Rule, <i>Securities Offering Reform</i>	Effective December 1, 2005.
Final Rule, <i>Use of Form S-8, Form 8-K, and Form 20-F by Shell Companies</i>	Effective August 22, 2005, except that Form 8-K, Item 5.06 is effective November 7, 2005.
Final Rule, <i>First-Time Application of International Financial Reporting Standards</i> (amendments to Form 20-F)	Rule will apply to foreign private issuers that adopt IFRS prior to or for the first financial year starting on or after January 1, 2007.
Final Rule, <i>Amendment to Rule 4-01(a) of Regulation S-X Regarding the Compliance Date for Statement of Financial Accounting Standards No. 123 (revised 2004), 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 of the registrant's first fiscal year 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 of the registrant's first fiscal year that begins after December 15, 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, 2007, for "nonaccelerated filers," including foreign private issuers that are not accelerated filers. Effective for fiscal years ending on or after July 15, 2006, for foreign private issuers that are accelerated filers and file annual reports on forms 20-F or 40-F.
SAB 107 (on 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).

Changes to Executive Compensation Disclosures	Effective December 15, 2006.
Request for Additional Comments on <i>Interpretive Release, Commission Guidance Regarding Client Commission Practices Under Section 28(e) of the Securities Exchange Act of 1934</i>	Interpretive Release is effective July 24, 2006; market participants, however, will be able to rely on prior SEC guidance for six months following publication. Additional comments related to the revised interpretation of the safe harbor with respect to client commission arrangements under Section 28(e) are due September 7, 2006.
Projects in Request-for-Comment Stage	
Request for Feedback on Experiences With Interactive Data and XBRL	Comments may be submitted throughout 2006 as roundtable topics and dates are announced.
Request for Comments on <i>Concept Release Concerning Management's Reports on Internal Control Over Financial Reporting</i>	Comments due September 18, 2006.
Request for Comments on Proposed Rule, <i>Internal Control over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies</i>	Comments due September 14, 2006.
Request for Comments on proposed requirement for compensation disclosure on up to three additional employees who are not executive officers and whose total compensation exceeds that of any of the named executive officers.	Comments due within 45 days after publication of Final Executive Compensation Disclosure Rule is posted to the Federal Register.
PCAOB	Status
Significant Adoption Dates	
Auditing Standard No. 4, <i>Reporting on Whether a Previously Reported Material Weakness Continues to Exist</i>	Effective February 6, 2006.
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 fiscal years ending on or after November 15, 2004, for certain "accelerated filers." Effective for fiscal years ending on or after July 15, 2007, for "nonaccelerated filers," including foreign private issuers that are not accelerated filers. Effective for fiscal years ending on or after July 15, 2006, for foreign private issuers that are accelerated filers and file annual reports on forms 20-F or 40-F.
<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.
Rule 3524, <i>Audit Committee Pre-approval of Certain Tax Services</i>	Rule will not apply to any tax service pre-approved on an engagement-by-engagement basis before June 18, 2006. With respect to tax services provided to audit clients whose audit committees pre-approve tax services pursuant to policies and procedures, the rule will not apply to any such tax service that is begun by April 20, 2007.
Rule 3523, <i>Tax Services for Persons in Financial Reporting Oversight Roles</i>	Rule will not apply to tax services being provided pursuant to an engagement in process at April 19, 2006, provided that such services are completed on or before October 31, 2006.
Rule 3522, <i>Tax Transactions</i>	Rule will not apply to tax services that are completed by a registered public accounting firm prior to June 18, 2006.
Rule 3521, <i>Contingent Fees</i>	Rule will not apply to contingent fee arrangements that prior to June 18, 2006, were (1) paid in their entirety, (2) converted to fixed fee arrangements, or (3) otherwise unwound.
Rule 3501, <i>Definitions of Terms Employed in Section 3, Part 5 of the Rules</i> ; Rule 3502, <i>Responsibility Not to Knowingly or Recklessly Contribute to Violations</i> ; Rule 3520, <i>Auditor Independence</i>	Effective April 29, 2006.

IASB/IFRIC	Status
Significant Adoption Dates	
IFRS 7, <i>Financial Instruments: Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement</i> , and IFRS 4, <i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement</i> — <i>The Fair Value Option</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement</i> — <i>Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> — <i>Net Investment in a Foreign Operation</i>	Effective for annual periods ending on or after January 1, 2006.
Amendment to IAS 19, <i>Employee Benefits</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 1, <i>Presentation of Financial Statements</i> — <i>Capital Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
IFRIC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	Effective for annual periods beginning on or after June 1, 2006.
IFRIC Interpretation 8, <i>Scope of IFRS 2</i>	Effective for annual periods beginning on or after May 1, 2006.
IFRIC Interpretation 7, <i>Applying the Restatement Approach Under IAS 29, Financial Reporting in Hyperinflationary Economies</i>	Effective for annual periods beginning on or after March 1, 2006.
IFRIC Interpretation 6, <i>Liabilities Arising From Participating in a Specific Market</i> — <i>Waste Electrical and Electronic Equipment</i>	Effective for annual periods beginning on or after December 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.
Projects in Exposure-Draft Stage	
Proposed Amendments to IAS 23, <i>Borrowing Costs</i>	Comments due September 29, 2006.
International Accounting Standards Committee Foundation, <i>Draft Due Process Handbook for the IFRIC</i> (May 2006)	Comments due September 30, 2006.
Proposed Amendments to IAS 32, <i>Financial Instruments: Presentation</i> and IAS 1, <i>Presentation of Financial Statements</i> – <i>Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation</i>	Comments due October 23, 2006.
Draft Interpretation D19, <i>IAS 19 — The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements</i>	Comments due October 31, 2006.

Appendix C: Roundup Flash

Roundup Flash briefly summarizes the decisions and news covered this month, and highlights the entities affected and next steps. To jump to the corresponding article in this issue, click a title below.

GASB Developments

[GASB Issues Proposed Concepts Statement, *Elements of Financial Statements*](#)

- AFFECTS:** State and local governmental entities.
- SUMMARY:** The Concepts Statement defines the seven elements of governmental financial statements and introduces the concept of “resources” as a common feature of such definitions.
- NEXT STEPS:** Comments are due November 17, 2006.

AICPA Developments

[Conforming Changes Made to Standard on Reporting on a Nonissuer’s Internal Control Over Financial Reporting To Achieve Consistency with SAS 112](#)

- AFFECTS:** Nonissuers and their auditors.
- SUMMARY:** To achieve consistency with the recently issued SAS 112,¹¹ conforming changes were made to AT Section 501¹² to incorporate relevant terms, definitions, and guidance of SAS 112.
- NEXT STEPS:** The conforming changes are effective when the subject matter or the assertion is as of or for the period ending on or after December 15, 2006, with earlier application permitted.

[Audit Risk Alert: Not-for-Profit Organizations Industry Developments](#)

- AFFECTS:** Not-for-profit organizations and their auditors.
- SUMMARY:** The audit risk alert provides an overview of recent economic, technical, industry, regulatory, and professional developments affecting the industry.

SEC Developments

[SEC Finalizes Disclosure Requirements for Executive and Director Compensation](#)

- AFFECTS:** Public companies and their auditors.
- SUMMARY:** The SEC issued a final rule¹³ adopting amendments to the disclosure requirements of total compensation for principal executives and other highest paid officers and all directors. Additionally, the SEC issued a proposed requirement for compensation disclosure on up to three additional employees who are not executive officers but

¹¹ AICPA Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*.

¹² AICPA Professional Standards, AT Section 501, “Reporting on an Entity’s Internal Control Over Financial Reporting.”

¹³ SEC Final Rule, *Executive Compensation and Related Person Disclosure*.

NEXT STEPS: whose total compensation exceeds that of any of the named executive officers. The final rule will be effective in Forms 8-K for triggering events that occur on or after 60 days after publication in the Federal Register, in Forms 10-K and 10-KSB for fiscal years ending on or after December 15, 2006, and in registration and proxy/information statements filed after December 15, 2006. Comments on the proposed requirement are due within 45 days after publication in the Federal Register.

Extension of Section 404 Compliance for Certain Companies

AFFECTS: Non-accelerated filers, accelerated foreign private issuers, and newly public companies.

SUMMARY: The releases, a final rule and a proposed rule, further extend the compliance date with Sarbanes-Oxley Section 404 requirements for certain companies.

NEXT STEPS: For FPLs that are accelerated filers (but not large accelerated filers), the final rule extends the compliance date for providing an auditor's attestation report on internal control over financial reporting in their annual reports to fiscal years ending on or after July 15, 2007. However, management's report is still required for fiscal years ending on or after July 15, 2006. Comments are due on the proposed rule by September 14, 2006.

SEC Moving Forward to Develop Software to Demonstrate the Interactive Capabilities of XBRL

AFFECTS: Public companies and their auditors.

SUMMARY: The SEC issued an RFP to develop prototype Web-based analysis software that will, as the solicitation states, "unlock the interactive capabilities of XBRL documents."

NEXT STEPS: The project is expected to be awarded prior to September 22, 2006.

SEC and CESR Launch Work Plan Focused on Financial Reporting

AFFECTS: Companies registered with the SEC and listed in the European Union.

SUMMARY: The SEC-CESR work plan describes certain objectives to facilitate transatlantic financial activity within a sound and protective framework.

NEXT STEPS: The work plan has been implemented immediately.

International Developments

IFRIC Issues Draft Interpretation on Asset Ceiling and Minimum Funding Requirements Related to Employee Benefits

AFFECTS: Entities with long-term and/or post-employment benefit plans that are within the scope of IAS 19.¹⁴

SUMMARY: The Draft Interpretation¹⁵ clarifies how, in normal circumstances, to determine the limit on the asset that an employer's balance sheet may contain with respect to its pension plan, as well as how the pension's assets or liabilities may be affected when there is a statutory or contractual minimum funding requirement.

NEXT STEPS: Comments are due October 31, 2006.

¹⁴ IAS 19, *Employee Benefits*.

¹⁵ IFRIC Draft Interpretation D19, *IAS 19 — The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements*.

IASB Posts Latest Version of Exposure Draft on Small and Medium-Sized Entities

- AFFECTS:** Small and medium-sized entities that apply, or will apply, IFRS.
- SUMMARY:** The latest draft of the Exposure Draft to develop an International Financial Reporting Standard for small and medium-sized entities has been posted for informational purposes only to the IASB's Web site.
- NEXT:** An Exposure Draft for public comment is expected later this year.

Other Developments

GAO Releases a Report Studying Financial Restatements

- AFFECTS:** Public companies and their auditors.
- SUMMARY:** The Government Accountability Office issued a report for the purpose of looking at the recent trends in restatements including the number of and reasons for the restatements and to analyze the impact of the restatements on a company's market capitalization.

Appendix D: Abbreviations

AcSEC	Accounting Standards Executive Committee	IAS	International Accounting Standard
AICPA	American Institute of Certified Public Accountants	IASB	International Accounting Standards Board
APB	Accounting Principles Board	IFAC	International Federation of Accountants
ARB	Accounting Research Bulletin	IFRIC	International Financial Reporting Interpretations Committee
ASB	Auditing Standards Board	IFRS	International Financial Reporting Standard
COSO	Committee of Sponsoring Organizations of the Treadway Commission	MD&A	Management's Discussion & Analysis
DIG	Derivatives Implementation Group	NCGA	National Council on Governmental Accounting
DTC	Draft Technical Correction	PCAOB	Public Company Accounting Oversight Board
EITF	Emerging Issues Task Force	SAB	Staff Accounting Bulletin
FAS	Financial Accounting Standard	SAS	Statement on Auditing Standards
FASB	Financial Accounting Standards Board	SEC	Securities and Exchange Commission
FIN	FASB Interpretation	SOP	Statement of Position
FSP	FASB Staff Position	SSAE	Statement on Standards for Attestation Engagements
GAAP	Generally Accepted Accounting Principles	TPA	Technical Practice Aid
GASB	Governmental Accounting Standards Board		

Conclusions of the FASB, GASB, IASB, and IFRIC are subject to change at future meetings and generally do not affect current accounting requirements until an official position (e.g., Statement, Interpretation, Staff Position, or IFRS) is issued. Official positions are determined only after extensive deliberation and due process, including a formal vote.

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