

Accounting Roundup

Third Quarter in
Review — 2007



October 4, 2007

Contents

Preface

iii

FASB Developments

FASB Proposal Tackles the Interaction Between Leases and Fair Value*	1
FASB Adds Accounting for Contingencies to Its Agenda*	1
FASB Proposes FSP on Consolidation and Equity Method Guidance for Not-for-Profit Organizations*	2
FASB Proposes FSP on Convertible Debt Instruments	2
FASB Invites Comments for an Agenda Proposal on Accounting for Insurance Contracts	3
FASB Removes FSP on Quantifying Misstatements From Agenda	3

EITF Developments

EITF Issue No. 07-1, "Accounting for Collaborative Arrangements"*	4
EITF Issue No. 07-4, "Application of the Two-Class Method Under FASB Statement No. 128, <i>Earnings per Share</i> , to Master Limited Partnerships"*	5
EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock"*	5
EITF Issue No. 07-6, "Accounting for the Sale of Real Estate When the Agreement Includes a Buy-Sell Clause"*	6

AICPA Developments

AICPA Issues Exposure Draft of Audit and Accounting Guide for Airline Industry*	7
AICPA Issues SSARS on Elimination of Certain References to Statements on Auditing Standards	7
AICPA Proposes SSARS-Defining Professional Requirements	8
AICPA Professional Ethics Executive Committee Issues Proposed Guidance on Network Firms	8
AICPA Professional Ethics Division Issues FAQ on the Independence Impact of Providing Interpretation 48 Services to an Attest Client	9
AICPA Issues Auditing Interpretation of Section 325	9

SEC Developments

SEC Chairman Cox Announces Landmark Progress in Providing Instant, User-Friendly Access to Financial Reporting Information for Investors*	10
SEC Releases Source Code for Interactive Data Viewer for Free Use by Market*	10
SEC Issues Concept Release on Giving U.S. Issuers the Choice to Apply IFRSs	10
SEC Updates Compliance and Disclosure Interpretations	11
SEC Proposes to Revise Limited Offerings Exemptions in Regulation D	12
SEC Issues Final Rule to Define "Significant Deficiency"	12
SEC's Office of the Chief Accountant Updates FAQs on Auditor Independence	12
SEC Adopts Revisions to <i>EDGAR Filer Manual</i>	13
First Meeting of SEC Advisory Committee on Improvements to Financial Reporting	13
SEC Issues Letter Clarifying Servicers' Ability to Make Loan Modifications	14
SEC Staff Provides Views on First-Time IFRS Reporting	14
SEC Extends Voluntary XBRL Program to Mutual Funds	15
SEC Votes to Adopt Antifraud Rule Under Investment Advisers Act	15

FASAB Developments

Proposed Statement on Reporting Gains and Losses From Changes in Assumptions	15
--	----

PCAOB Developments

PCAOB Enters Into Cooperative Arrangement With Australian Securities and Investments Commission	16
---	----

GASB Developments

GASB Issues New Standard on Intangible Assets	17
---	----

International Developments

IASB Issues Exposure Draft on Accounting for Joint Arrangements*	17
IASB Proposes Additional Guidance on Hedge Accounting*	18
IASB Issues Revised Standard on Presentation of Financial Statements*	18
IFRIC Issues Interpretation of IAS 19	19
IFRIC Issues Proposed Guidance on Real Estate Sales	19
IFRIC Issues Proposed Guidance on Hedges of a Net Investment in a Foreign Operation	20
Meeting to Promote Global Convergence in Emerging and Transition Economies	20
Japan and India Agree With IASB on Achieving Convergence by 2011	20

Other Developments

Center for Audit Quality Issues Final White Papers — Key Accounting Issues and the Credit Environment	21
COSO Releases Discussion Document on Monitoring Internal Control*	21

Appendix A: Recent Meetings **23**

Appendix B: Significant Adoption Dates and Deadlines **25**

Appendix C: Summary of SAB Topic 11.M **34**

Appendix D: Abbreviations **35**

* Events that occurred in September or that were not otherwise addressed in the July and August issues of *Accounting Roundup* are marked with an asterisk (*) in the article title. Events without asterisks have been covered in monthly issues (except Appendix A).


Preface

Accounting Roundup: Third Quarter in Review — 2007

Edited by Robin Kramer and Brandon Campbell, Deloitte & Touche LLP

Welcome to the quarterly edition of *Accounting Roundup*. As a reminder, for months that end a calendar quarter, we will no longer publish a separate monthly *Accounting Roundup*; this will allow a more timely release of the Quarter in Review issues. Events that occurred in September or that were not addressed in the [July](#) and [August](#) issues of *Accounting Roundup* are marked with an asterisk (*) in the article title. Events without asterisks have been covered in monthly issues.

During the third quarter of 2007, accounting standard setters and regulators issued a number of pronouncements (e.g., final FASB Statements, FSPs, EITF consensuses, SEC rules, PCAOB rules, IFRSs) affecting accounting, financial reporting, and corporate governance. *Accounting Roundup: Third Quarter in Review — 2007* presents brief descriptions of these pronouncements and outlines other third-quarter regulatory and professional developments. As usual, click any title in the table of contents to go directly to the article.

For additional information about a topic, click the hyperlinks, which are underlined in blue or marked with the  symbol. Further details are also on the Web sites of the accounting standard setters and regulators, including the [FASB](#), [GASB](#), [SEC](#), [PCAOB](#), [AICPA](#), and [IASB](#). Be sure to monitor upcoming issues of *Accounting Roundup* for new developments.

We value your feedback and would appreciate any comments you may have on *Accounting Roundup: Third Quarter in Review — 2007*. Take a moment to tell us what you think by sending us an e-mail at accountingstandards@deloitte.com.

In closing, we would also like to inform you about the following two Roadmap publications, prepared during the third quarter by Deloitte & Touche LLP's Accounting Standards and Communications group:



*Consolidation of Variable Interest
Entities: A Roadmap to Applying
Interpretation 46(R)'s
Consolidation Guidance
(Third Edition)*



*Software Revenue Recognition: A
Roadmap to Applying AICPA
Statement of Position 97-2*

To obtain an electronic copy of either of these publications, click a picture above.

FASB Developments

FASB Proposal Tackles the Interaction Between Leases and Fair Value*

AFFECTS: Entities that engage in leasing transactions.

SUMMARY: The Board has approved the staff's recommendation to issue a proposed FSP to remove leasing transactions accounted for under Statement 13¹ and its related interpretive guidance from the scope of Statement 157.² There are two main issues prompting this amendment:

1. *Initial fair value measurements for lease classification when the lessor is not a manufacturer or dealer.* Third-party lessors (e.g., banks, financing companies) often include transaction costs, such as installation costs, freight charges, and sales taxes, in the leased asset's cost basis. However, the initial fair value of the leased asset under Statement 157 may not represent its cost, since Statement 157 excludes transaction costs from fair value measurement. To qualify for a direct financing or leveraged lease under Statement 13, the fair value must equal cost.
2. *Applying the fair value measurement objective in Statement 157 to estimated residual values.* In practice, lessors, particularly those engaged in high-volume leases of smaller-ticket assets, generally use a weighted-average cash flow valuation model to determine estimated residual values. This model incorporates various assumptions regarding sales proceeds from different exit markets and the probabilities of selling to those markets. The fair value definition in Statement 157 assumes an exit transaction in the entity's principal market. Therefore, when there are multiple markets for a leased asset, Statement 157 will require lessors to use the pricing information in just one of the markets to determine a residual value (versus a weighted-average approach).

NEXT STEPS: The FASB staff will draft a proposed FSP that will remove leasing transactions from the scope of Statement 157 and submit an invitation to comment. The staff did not indicate when the proposed FSP will be issued.

FASB Adds Accounting for Contingencies to Its Agenda*

AFFECTS: All entities.

SUMMARY: The FASB has added a project to its technical agenda to reconsider the current accounting for contingencies under Statement 5.³ The FASB will consider enhancing the disclosure requirements for contingencies to address concerns that information related to significant contingencies is not being disclosed timely in the financial statements. The staff will also begin research on its comprehensive long-term project on accounting for contingencies, giving consideration to the scope, timing, and identification of potential convergence issues.

The FASB has also decided to change its previous decision that assets and liabilities arising from contingencies recognized in a business combination should be subsequently measured at fair value. Instead, the FASB has decided to measure those assets and liabilities as follows:

1. A liability will be measured at the higher of:
 - Its acquisition-date fair value.
 - The amount that would be recognized by applying Statement 5.
2. An asset will be measured at the lower of:
 - Its acquisition-date fair value.
 - The best estimate of its future settlement amount.

NEXT STEPS: The FASB staff will prepare an amended draft of the revised final Statement on business combinations for vote by written ballot.

¹ FASB Statement No. 13, *Accounting for Leases*.

² FASB Statement No. 157, *Fair Value Measurements*.

³ FASB Statement No. 5, *Accounting for Contingencies*.

FASB Proposes FSP on Consolidation and Equity Method Guidance for Not-for-Profit Organizations*

AFFECTS: Not-for-profit entities.

SUMMARY: As part of its project to codify U.S. GAAP, the FASB issued a proposed FSP⁴ to simplify and conform the equity method and consolidation guidance in SOP 94-3;⁵ the AICPA Audit and Accounting Guide, *Health Care Organizations*; and other standards. The proposed FSP would do the following:

- Eliminate the temporary control exception for consolidations. Other control-related changes include amending the definition of “majority voting interest in the board of another entity” and conforming the categorization of sole corporate membership.
- Confirm that not-for-profit organizations should continue to apply the guidance on consolidation of special-purpose entities in Issues 90-15,⁶ 96-21,⁷ and 97-1.⁸
- Require not-for-profit organizations to apply the guidance on the equity method of accounting in SOP 78-9,⁹ Issue 03-16,¹⁰ and FSP SOP 78-9-1¹¹ when accounting for certain investments, such as for-profit partnerships, limited liability companies, and similar entities, unless those investments are reported at fair value.

NEXT STEPS: Comments on the proposed FSP are due by November 30, 2007.

FASB Proposes FSP on Convertible Debt Instruments

AFFECTS: Some entities with convertible debt instruments.

SUMMARY: The FASB issued a proposed FSP¹² that would change the accounting for convertible debt instruments that may be settled in cash (or other assets) upon conversion, including partial cash settlement. This FSP would not affect the embedded conversion options that must be separately accounted for as derivatives under Statement 133.¹³

Under paragraph 12 of Opinion 14,¹⁴ the debt component and conversion feature of these instruments were considered inseparable; thus, no proceeds at issuance were attributed to the conversion feature. However, under this proposed FSP, for instruments within its scope, (1) paragraph 12 of Opinion 14 should not be applied and (2) the liability and equity components “shall be separately accounted for in a manner that will reflect the entity’s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods.” Therefore, the initial proceeds would be attributed to the components in the following way:

1. The carrying amount of the liability component would be determined by measuring the fair value of a similar liability that has no associated equity component.
2. If the transaction contains rights or privileges other than the convertible debt instrument, the proceeds for these rights or privileges would be based on their fair value.
3. The carrying amount of the equity component (i.e., the embedded conversion option) would be the residual proceeds after the appropriate portions are allocated in steps 1 and 2 (i.e., initial

⁴ Proposed FASB Staff Position No. SOP 94-3-a and AAG-HCO-a, “Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations.”

⁵ AICPA Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*.

⁶ EITF Issue No. 90-15, “Impact of Nonsubstantive Lessors, Residual Value Guarantees, and Other Provisions in Leasing Transactions.”

⁷ EITF Issue No. 96-21, “Implementation Issues in Accounting for Leasing Transactions Involving Special-Purpose Entities.”

⁸ EITF Issue No. 97-1, “Implementation Issues in Accounting for Lease Transactions, Including Those Involving Special-Purpose Entities.”

⁹ AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*.

¹⁰ EITF Issue No. 03-16, “Accounting for Investments in Limited Liability Companies.”

¹¹ FASB Staff Position No. SOP 78-9-1, “Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5.”

¹² Proposed FASB Staff Position No. APB 14-a, “Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement).”

¹³ FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

¹⁴ APB Opinion No. 14, *Accounting for Convertible Debt and Debt Issued With Stock Purchase Warrants*.

proceeds as a whole, minus the fair value of the liability component, minus the fair value of any other rights or privileges).

In addition, the proposed FSP discusses subsequent measurement, modifications, and derecognition, and would nullify and amend various existing U.S. GAAP.

If a final FSP is issued, it would be retrospectively applied and effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Early adoption would not be permitted.

OTHER RESOURCES: For additional discussion, see Deloitte & Touche LLP's [September 14, 2007, Heads Up](#)

NEXT STEPS: Comments are due by October 15, 2007.

FASB Invites Comments for an Agenda Proposal on Accounting for Insurance Contracts

AFFECTS: Issuers and policyholders of insurance contracts.

SUMMARY: The FASB has issued an invitation to comment in which it seeks feedback on whether to add to its agenda a joint project with the IASB on accounting for insurance contracts. The project's objective would be to develop a common standard that addresses all recognition, measurement, presentation, and disclosure requirements for issuers and policyholders.

The IASB is already working on these issues. In May 2007, it issued a discussion paper¹⁵ describing its preliminary views on the main components of an accounting model for insurance contracts. If the joint project is added to the agenda, these preliminary views and all comments obtained would be the starting point in drafting a proposed standard.

The invitation to comment includes the following:

- A summary of the IASB discussion paper.
- A high-level comparison of current U.S. GAAP accounting for insurance contracts versus the IASB preliminary views.
- The IASB discussion paper.

A comprehensive joint project with the IASB would most likely supersede the two insurance contract projects currently on the FASB's agenda to address diversity in practice (the insurance risk transfer project and the financial guarantee insurance project).

NEXT STEPS: Comments are due by November 16, 2007.

FASB Removes FSP on Quantifying Misstatements From Agenda

AFFECTS: Nonpublic entities and their auditors.

SUMMARY: SAB 108¹⁶ provides SEC registrants with guidance on quantifying misstatements as a basis for evaluating the materiality of current-year financial statement misstatements. In March 2007, the FASB issued a proposed FSP¹⁷ that would have extended the SAB 108 guidance to all nongovernmental entities not previously subject to it. Therefore, the proposed FSP would have standardized the requirements for the reporting of error corrections for SEC registrants and other entities, requiring an entity to use both the rollover and iron curtain approaches in quantifying the effect of a misstatement in its current-year financial statements.

The FASB discussed comment letters received on the proposed FSP at the August 1, 2007, Board meeting. At that meeting, the FASB decided not to issue a final FSP and removed the project from its agenda. The Board indicated that in the future, it will consider whether to address this topic in a broader project that addresses materiality.

¹⁵ IASB Discussion Paper, *Preliminary Views on Insurance Contracts*.

¹⁶ SEC Staff Accounting Bulletin No. 108, codified as SAB Topic 1.N, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements."

¹⁷ Proposed FASB Staff Position No. FAS 154-a, "Considering the Effects of Prior-Year Misstatements When Quantifying Misstatements in Current-Year Financial Statements."

EITF Developments

EITF Issue No. 07-1, "Accounting for Collaborative Arrangements"*

AFFECTS: Entities, particularly those in the biotechnology, pharmaceutical, and motion picture industries, that participate in collaborative arrangements for the development and commercialization of products.¹⁸

SUMMARY: Entities may seek partners to share in the development and commercialization of resource-intensive (and generally uncertain) products. Although these arrangements take many forms, their substance is one of active participation by the partners and a sharing of the costs and revenues of the endeavor.

Company B, a biotechnology entity, has a promising drug candidate. Company P is a pharmaceutical company with an established manufacturing facility and distribution chain. The companies enter into an arrangement for the joint development and commercialization of the potential drug. No legal entity is created; however, B and P agree that:

- B will perform the development activities.
- P will perform the commercialization activities (if and when the drug is approved for sale).
- B and P will share in the costs and revenues (if any) of the endeavor.

The Task Force affirmed the tentative conclusions reached in previous meetings as follows:

Issue 1 — A collaborative arrangement is a contractual arrangement in which the parties (a) are active participants to the arrangements and (b) are exposed to significant risks and rewards that depend on the commercial success of the endeavor.

Issue 2 — Costs incurred and revenues generated on sales to third parties should be reported by the partners on the appropriate line item in their respective income statements, pursuant to Issue 99-19¹⁹ (i.e., on the basis of whether the partner is a principal to the transaction).

Issue 3 — The income statement characterization of amounts owed to (due from) the partners should be based on other authoritative literature, if the payments are within the scope of such literature. Otherwise, characterization of the payments should be based on (1) an analogy to other authoritative literature or (2) a reasonable, rational, and consistently applied accounting policy election based on the nature and contractual terms of the arrangement and the nature of the respective entity's business operations.

Issue 4 — The partners should disclose, in the footnotes to their annual financial statements, (1) income statement amounts (and related classification) attributable to transactions between the participants; (2) amounts owed to (due from) the participants; and (3) information regarding the nature and purpose of the arrangement, rights and obligations under the arrangement, the stage of the underlying endeavor's life cycle, and any accounting policies for the collaborative arrangement.

A consensus would be effective for annual periods beginning after December 15, 2007, and would be applied as a change in accounting principle through retrospective application to all periods presented.

NEXT STEPS: At its September 26, 2007, meeting, the Board ratified the consensus reached by the Task Force on this Issue and approved the issuance of a draft abstract for a public comment period. The draft abstract was posted to the FASB's Web site on October 1, 2007. Comments are due by October 22, 2007.

¹⁸ A collaborative arrangement may include a legal entity in some portion of the arrangement. Any consensus reached on Issue 07-1 does not affect the accounting for that legal entity under existing GAAP.

¹⁹ EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal Versus Net as an Agent."

EITF Issue No. 07-4, “Application of the Two-Class Method Under FASB Statement No. 128, Earnings per Share, to Master Limited Partnerships” *

AFFECTS:	Publicly traded master limited partnerships (MLPs) that issue incentive distribution rights (IDRs). This ownership structure is common in industries such as petroleum and natural gas extraction and transportation.
SUMMARY:	<p>In a typical publicly traded MLP, cash is distributed to common units held by limited partners (LPs), a general partner (GP) interest, and IDRs in accordance with the terms specified in the partnership agreement.</p> <p>Generally, the partnership agreement obligates the GP to distribute all of the partnership’s available cash²⁰ at the end of each quarter to the LPs, GP, and when certain thresholds are met, the IDR holder. A complicating factor is that available cash distributions, as determined by the partnership agreement, may be based on terms other than earnings. Consequently, distributions may be in excess of earnings for any given period.</p> <p>At issue is how current-period earnings of an MLP should be allocated to the IDR holder (a participating security) when the two-class method under Statement 128 is applied.</p> <p>Earnings in Excess of Cash Distributions — The Task Force reached a tentative conclusion that when current-period earnings are in excess of cash distributions, the undistributed earnings should be allocated to the GP, LPs, and IDR holder as if the undistributed earnings were available cash.²¹ This reduces earnings per unit for the LPs and GP for entities that previously had considered the earnings-per-unit effect for an IDR to be limited to actual distributions to the IDR holder.</p> <p>Cash Distributions in Excess of Earnings — When cash distributions are in excess of earnings, net income (or loss) would be reduced (or increased) by the actual distributions to the GP, LPs, and IDR holder. The resulting net loss would be allocated to the GP and LPs on the basis of their respective sharing of losses specified in the partnership agreement (provided that the IDR holder is not obligated to share in the losses of the partnership).</p> <p>A consensus would be effective for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years, applied retrospectively for all financial statements presented. Early application would not be permitted.</p>
NEXT STEPS:	At its September 26, 2007, meeting, the Board ratified the consensuses reached by the Task Force on this Issue and approved the issuance of a draft abstract for a public comment period. The draft abstract was posted to the FASB’s Web site on October 1, 2007. Comments are due by October 22, 2007.

EITF Issue No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock” *

AFFECTS:	Entities with (a) options on their own shares (not within the scope of Statement 150 ²²), (b) forward contracts to issue their own shares (including forward contracts entered into as part of an accelerated share repurchase program), and (c) issued convertible debt instruments and convertible preferred stock.
SUMMARY:	The instruments described above may contain contract terms that call into question whether the instrument or embedded feature is indexed to the entity’s own stock. An instrument or embedded feature that is deemed indexed to an entity’s own stock may be exempt from the requirements of Statement 133 ²³ . In addition, a freestanding nonderivative instrument that is indexed to a company’s own stock remains eligible for equity classification under Issue 00-19. ²⁴

²⁰ “Available cash” is typically defined in the partnership agreement as all cash on hand at the end of each quarter less cash retained by the partnership as capital to (1) operate the business (e.g., future capital expenditures); (2) comply with applicable law, debt, and other agreements; and (3) provide funds for distribution to the common unit, GP, and IDR holders for any one or more of the next four quarters.

²¹ However, the IDR holder’s share of undistributed earnings should not exceed any contractual cap.

²² FASB Statement No. 150, *Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity*.

²³ FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

²⁴ EITF Issue No. 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock.”

The Task Force has identified three general categories of instruments and embedded features as within the Issue's scope:

- **Category 1 Instruments** — For these instruments, **exercisability** is affected by one or more variables other than the entity's stock price, but such variables **do not** affect the settlement amount. Settlement is determined on the basis of a fixed number of shares for a fixed amount of consideration. An example is a warrant that permits the holder to buy 100 shares of the issuer's stock for a fixed amount of cash only if a contingent event occurs.
- **Category 2 Instruments** — The settlement amount is **always** affected by one or more variables other than the entity's stock price, or the party receiving shares may deliver noncash consideration whose value is affected by more than just the issuer's stock price. One example is a warrant to acquire a fixed number of the issuer's equity shares, with an exercise price denominated in a currency other than the issuer's functional currency.
- **Category 3 Instruments** — The settlement amount **may** be affected by one or more variables other than the entity's stock price, depending on the outcome of a contingent event or other condition. One example is a share-settleable forward contract to issue a fixed number of the entity's equity shares at a fixed strike price unless a contingent event (e.g., a change in control) occurs before the contractual settlement date. Once the contingent event occurs, the "calculation agent" may adjust the settlement amount on the basis of certain variables.

At issue is how an entity should determine whether Category 1, 2, and 3 instruments are indexed solely to its own stock.

The following represents the current status of Task Force discussions regarding this Issue:

- **Category 1** — Consistently with the existing consensus in Issue 01-6,²⁵ the Task Force preliminarily agreed that Category 1 instruments are considered solely indexed to an entity's own stock provided that their contingency provisions are not based on (a) an observable market, other than the market for the entity's stock, or (b) an observable index, other than those solely referenced to the entity's own operations.²⁶
- **Category 2** — The Task Force discussed Category 2 instruments but did not reach any conclusion.
- **Category 3** — The Task Force preliminarily agreed that Category 3 instruments should be evaluated as if the contingent event were certain to occur. Therefore, Category 3 instruments would effectively be treated in the same manner as Category 2 instruments.

NEXT STEPS:

The Task Force will form a working group to further analyze alternative approaches and develop a principle for how an entity should determine whether Category 2 instruments are solely indexed to its own stock.

Further discussion of this issue is expected at the November 2007 EITF meeting.

EITF Issue No. 07-6, "Accounting for the Sale of Real Estate When the Agreement Includes a Buy-Sell Clause"*

AFFECTS: Entities (investors) that transfer real estate to a venture that they jointly own with another investor when the joint-ownership agreement contains a "buy-sell clause."

SUMMARY: When two investors enter into an arrangement to create a jointly owned venture and one investor (the "selling investor") transfers real estate to that entity, the agreement commonly includes a buy-sell clause. A buy-sell clause permits either investor (the "offeror") in the jointly owned entity to irrevocably request a buyout of the other investor's (the "offeree's") entire interest by providing a notice (the "purchase notice") to the other investor.

In the purchase notice, the offeror typically names a price for the offeree's equity at its discretion. After receiving the purchase notice, the offeree **must** either sell its entire interest in the venture to the offeror or buy the offeror's interest at the named price. This example is known as an

²⁵ EITF Issue No. 01-6, "The Meaning of 'Indexed to a Company's Own Stock.'"

²⁶ For example, the entity's sales revenue; earnings before interest, taxes, depreciation, and amortization; net income; or total equity.

“unspecified-price” buy-sell clause. Other, less common, types of buy-sell clauses exist. At issue is whether a buy-sell clause represents a prohibited form of continuing involvement (e.g., an option to reacquire the real estate) under Statement 66²⁷ that precludes partial sale-and-profit recognition upon transfer of the real estate to the venture by the selling investor.

The Task Force reached a tentative conclusion that the selling investor should determine whether a buy-sell clause constitutes an option or other form of prohibited continuing involvement by considering facts and circumstances such as the following:

- Those that might effectively compel the buyer to sell its interest, such as prohibitions on the buyer’s ownership of real estate or its lack of financial wherewithal to counter with a purchase offer.
- Those that might effectively compel the selling investor to reacquire the real estate, such as negative tax implications, favorable arrangements with the venture, or strategic needs to own the property.
- Others, such as certain fixed-price buy-sell clauses.

A consensus would be effective for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years, applied prospectively to transactions entered into after the effective date. Early application would not be permitted.

TRANSITION:

The FASB ratified the tentative conclusion at the Board’s September 26, 2007, meeting. The tentative conclusion will now be exposed for a comment period and was posted to the FASB’s Web site on October 1, 2007. Comments on the discussion document are due by October 22, 2007.

AICPA Developments

AICPA Issues Exposure Draft of Audit and Accounting Guide for Airline Industry*

AFFECTS: Entities operating in the airline industry.

SUMMARY: The AcSEC of the AICPA has issued an Exposure Draft of a proposed Audit and Accounting Guide, *Airlines*, which addresses 26 accounting issues relevant to the airline industry. Critical issues include revenue breakage-ticket validity, timing of revenue recognition, incremental cost and deferred revenue methods of accounting in the case of frequent flyer programs, manufacturer purchase incentives, impairment of long-lived assets, maintenance expense and lease return conditions — swaps and other issues. The Exposure Draft also includes chapters dedicated to accounting issues associated with air cargo and regional carriers.

NEXT STEPS: Comments on the discussion document are due by December 15, 2007.

AICPA Issues SSARS on Elimination of Certain References to Statements on Auditing Standards

AFFECTS: Practitioners that provide compilation and review services.

SUMMARY: The AICPA has issued a new SSARS.²⁸ Many practitioners performing compilations and reviews may be unfamiliar with auditing literature, especially when compilations and reviews are the highest level of service they perform. The objective of this SSARS is to improve the guidance on these compilations and review services by eliminating any references to auditing standards or other auditing literature from SSARSs.

The SSARS also provides guidance on compilations and reviews by:

- Defining the term “other comprehensive basis of accounting” (OCBOA).

²⁷ FASB Statement No. 66, *Accounting for Sales of Real Estate*.

²⁸ AICPA Statement on Standards for Accounting and Review Services No. 15, *Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services*.

- Giving examples of appropriate OCBOA financial statement titles.
- Furnishing reporting examples for compilations and reviews of OCBOA financial statements.
- Discussing emphasis of a matter when a practitioner reports on compiled or reviewed financial statements.
- Clarifying the accountant's responsibility with respect to facts discovered after the date of the accountant's compilation or review report.
- Describing additional illustrative representations that may be appropriate for inclusion in the management representation letter.
- Containing a new appendix titled "Sources of Generally Accepted Accounting Principles."

NEXT STEPS: The SSARS is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2007. Early application is permitted.

AICPA Proposes SSARS-Defining Professional Requirements

AFFECTS: Practitioners that provide compilation and review services.

SUMMARY: The AICPA's Accounting and Review Services Committee issued an Exposure Draft²⁹ that would clarify the types of professional requirements in, and the extent of an accountant's responsibility with respect to, the SSARSs.

The proposal defines two categories of professional requirements within the SSARSs:

- **Unconditional Requirements** — Requirements that the accountant must comply with unconditionally. The SSARSs indicate unconditional requirements with the words "must" or "is required."
- **Presumptively Mandatory Requirements** — Requirements that the accountant must generally comply with but can depart from if (1) the departure is justified and (2) alternative procedures were performed and were sufficient to achieve the objectives of the requirement. The SSARSs indicate presumptively mandatory requirements with the word "should."

NEXT STEPS: Comments are due by October 25, 2007.

AICPA Professional Ethics Executive Committee Issues Proposed Guidance on Network Firms

AFFECTS: CPA firms.

SUMMARY: The Professional Ethics Executive Committee (PEEC) of the AICPA issued a proposed Interpretation³⁰ that defines the terms "networks" and "network firms" and revises the definition of "firms" in the AICPA Code of Professional Conduct. According to the proposed Interpretation, entities defined as "network firms" should be independent of other network firms' audit and review clients when a general-purpose audit or review report is issued (i.e., the report is not restricted to specified users). For all other attest clients, a network firm should consider the independence risks that may be created by other network firms' client relationships and apply safeguards to mitigate or eliminate those risks.

The proposed Interpretation specifies that associated firms and entities that work together to enhance their capabilities to provide professional services would be considered a "network" if they share the following characteristics:

- Use of common name or brand.
- Common control among the firms.
- Certain profits and costs.
- Common business strategies.

²⁹ AICPA Proposed Statement on Standards for Accounting and Review Services, *Defining Professional Requirements in Statements on Standards for Accounting and Review Services*.

³⁰ AICPA PEEC Proposed Interpretation 101-17, *Networks and Network Firms*.

- Significant part of professional resources.
- Common quality-control policies and procedures.

The proposed Interpretation also extends the independence requirements imposed on network firms to any firm or entity that a network firm (1) controls, (2) is controlled by, or (3) is under common control with. If only a subset of firms within a network shares one or more of the above characteristics, the subset, not the entire association, would be considered a network.

If implemented, the Interpretation would be effective for engagements covering periods beginning on or after December 15, 2009.

NEXT STEPS: Comments are due by November 13, 2007.

AICPA Professional Ethics Division Issues FAQ on the Independence Impact of Providing Interpretation 48 Services to an Attest Client

AFFECTS: Practitioners that provide Interpretation 48³¹ services to attest clients.

SUMMARY: The AICPA PEEC has issued an FAQ on whether an auditor's independence would be impaired if that auditor performs Interpretation 48 services for an attest client, such as identifying potential uncertain tax positions, advising the client on whether those tax positions meet the more-likely-than-not threshold, and calculating related unrecognized tax benefits.

According to the FAQ, independence would not be impaired if (1) the client can make informed judgments about the results of the services and (2) the other requirements of Interpretation 101-3³² are met.

AICPA Issues Auditing Interpretation of Section 325

AFFECTS: State and local governments, as well as not-for-profit organizations, and their auditors.

SUMMARY: The AICPA has issued a new auditing Interpretation³³ clarifying the applicability of SAS 112³⁴ to Office of Management and Budget (OMB) Circular A-133 audits, also known as "single audits." In response to recently amended OMB guidance,³⁵ this Interpretation specifies how auditors should apply the definitions of control deficiency, significant deficiency, and material weakness when reporting on internal control over compliance in a single audit.

The OMB guidance replaces the Circular A-133 terms "reportable condition" and "material weakness" with the terms "significant deficiency" and "material weakness." The Interpretation indicates that the latter terms apply to single audits of periods ending on or after December 31, 2006.

Paragraph .03 of the Interpretation defines the terms as follows:

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis noncompliance with a type of compliance requirement of a federal program.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal

³¹ FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109.

³² AICPA Interpretation 101-3, *Performance of Non-attest Services*.

³³ AICPA Auditing Interpretation, *Communicating Deficiencies in Internal Control Over Compliance in an Office of Management and Budget (OMB) Circular A-133 Audit*.

³⁴ AICPA Statement on Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*.

³⁵ OMB Final Notice, *Audits of States, Local Governments, and Non-Profit Organizations*.

program that is more than inconsequential will not be prevented or detected.
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.

NEXT STEPS: Effective immediately.

SEC Developments

SEC Chairman Cox Announces Landmark Progress in Providing Instant, User-Friendly Access to Financial Reporting Information for Investors*

AFFECTS: All public entities.

SUMMARY: On September 25, 2007, SEC Chairman Christopher Cox announced that the Commission had completed the project of mapping data tags for every element in U.S. GAAP. Tags correspond to the concepts and information included in financial reports, such as balance sheets, income statements, and financial statement disclosures. This tagging is accomplished by a taxonomy, a dictionary of financial reporting terms or concepts.

Chairman Cox noted that this is a significant milestone in the SEC's initiative to provide a more investor-friendly system of financial reporting. The use of tags allows investors and financial statement users to more efficiently analyze and compare financial statements submitted by SEC registrants, since financial statements can be downloaded into Microsoft Excel or other software for financial analysis. Before public review, the Financial Accounting Foundation, select analysts, public accounting firms, and software providers are reviewing the taxonomy for compliance with GAAP.

SEC Releases Source Code for Interactive Data Viewer for Free Use by Market*

AFFECTS: All entities.

SUMMARY: On September 25, 2007, the SEC announced that the source code for its interactive financial report viewer is available on its Web site for free use by the market. Powered by XBRL (eXtensible Business Reporting Language) software, the viewer will allow investors and analysts to more easily locate financial statement information within an entity's interactive data filings.

In a related development, the SEC's Division of Corporation Finance has issued guidance on facilitating the filing process for registrants that submit filings via the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. Additional information is available on the SEC's [Web site](#).

SEC Issues Concept Release on Giving U.S. Issuers the Choice to Apply IFRSs

AFFECTS: All public entities.

SUMMARY: The SEC has issued a concept release³⁶ requesting public comments on whether U.S. issuers should be permitted to use IFRSs in preparing their financial statements. Depending on the responses received, by 2010 or 2011, U.S. issuers may have a choice of using either IFRSs or U.S. GAAP for U.S. public reporting purposes.

Questions the SEC asks in its concept release include the following:

- **Effect on U.S. Public Capital Markets** — What is the overall effect on U.S. public capital markets if some U.S. issuers report in accordance with IFRSs while others continue to report in accordance with U.S. GAAP? Do market participants want to use and understand financial statements prepared in accordance with IFRSs? Should there be restrictions on who may prepare IFRS financial statements?

³⁶ SEC Concept Release, *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance With International Financial Reporting Standards*.

- **Effect on Standard Setting** — Will allowing IFRSs and U.S. GAAP financial statements affect the convergence process undertaken by the IASB and FASB? Would the ability to prepare IFRS financial statements affect the role of the FASB or the development of U.S. GAAP? Are market participants confident in the IFRS standard-setting process and the SEC's indirect regulatory role in that process?
- **Implementation Matters** — Because there is less experience in preparing IFRS financial statements in the U.S. market, what implementation concerns should be considered? Specifically, questions are posed regarding (1) education and training, (2) application and regulation, (3) auditing, and (4) transition and timing.

On September 13, 2007, the Commission reissued this concept release to change the incorrect Web site addresses listed in the initial concept release.

NEXT STEPS: Comments on the concept release are due by November 13, 2007.

OTHER RESOURCES: See Deloitte & Touche LLP's [August 17, 2007, Heads Up](#) for further discussion.

SEC Updates Compliance and Disclosure Interpretations

AFFECTS: All public entities.

SUMMARY: The SEC's Division of Corporation Finance has issued certain compliance and disclosure interpretations on specific reporting issues associated with [Items 402](#)³⁷ and [404](#)³⁸ of Regulation S-K, which were raised by constituents or the SEC staff.

The interpretations are in Q&A format and cover the following disclosure topics:

Item 402

- Reporting salary and bonus forgone upon election of an executive.
- Perquisites or other personal benefits with no incremental cost to the registrant.
- Reversing equity compensation previously expensed under Statement 123(R).³⁹
- Determining accrued amounts disclosed in the "All Other Compensation" column.
- Incentive awards denominated in dollars, but payable in stock.
- Reporting performance-based awards.
- Using "accrued value" to report accumulated benefit for a cash balance plan.
- Other items deemed "earnings" for purposes of compensation disclosures.
- Calculating the value of accelerated options upon a termination or change in control.
- Reporting the impact of change-in-control provisions.
- Charitable matching programs available to all employees.
- Successor and predecessor compensation in a merger.
- Compensation reporting of shell companies combining with an operating company.
- Stock dividends on unvested restricted stock that are not paid out until the units vest.
- Reporting stock option grants that allow for immediate exercise.

Item 404

- Amounts to consider in analyzing and reporting employment arrangement transactions.
- Disclosing compensation of immediate family to an executive officer also employed by the registrant.

OTHER RESOURCES: For additional discussion about executive compensation disclosures, see Deloitte & Touche LLP's [September 7, 2007, Heads Up](#).

³⁷ SEC Regulation S-K, Item 402, "Executive Compensation."

³⁸ SEC Regulation S-K, Item 404, "Certain Relationships and Related Transactions."

³⁹ FASB Statement No. 123(R), *Share-Based Payment*.

SEC Proposes to Revise Limited Offerings Exemptions in Regulation D

AFFECTS: All issuers.

SUMMARY: On August 3, 2007, the SEC issued a proposed rule⁴⁰ for public comment that would revise the limited offering exemptions in Regulation D. The proposed revisions create certain exemptions from the SEC's registration requirements and clarify definitions to promote more efficient private capital formation. This proposal is the last of six proposals aimed at providing relief for smaller public companies. (The first three were issued in June, and two were issued in July.)

The proposed rule primarily does the following:

- Creates a new registration exemption for offers and sales to "large accredited investors" and allows limited advertising of these offerings. This new "large accredited investor" category is based on the "accredited investor" definition in Regulation D but allows for larger dollar-amount thresholds.
- Revises the term "accredited investor" to clarify qualification standards and increases the number of companies that qualify for this group. Thus, a larger number may apply the exemption already allowed under Regulation D for this group.
- Shortens the period required by the integration safe harbor to 90 days. To improperly avoid registration, a company may attempt to split up the offering into multiple offerings so that it can individually apply exemptions that would not be available if the offerings were combined. The integration safe harbor provided a bright-line test. Before this proposal, the integration safe harbor required that sales and offers occurring more than six months before and after the completion of a Regulation D offering not be considered part of the same offering.
- Provides uniform disqualification provisions throughout Regulation D.

NEXT STEPS: Comments on the proposed rule are due by October 9, 2007.

SEC Issues Final Rule to Define "Significant Deficiency"

AFFECTS: All public entities.

SUMMARY: The SEC has issued a final rule defining the term "significant deficiency" to help companies implement Sections 302 and 404 of the Sarbanes-Oxley Act of 2002. The term is defined as "[a] deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the registrant's financial reporting."

NEXT STEPS: The final rule became effective on September 10, 2007.

SEC's Office of the Chief Accountant Updates FAQs on Auditor Independence

AFFECTS: All auditors.

SUMMARY: In August 2007, the SEC's Office of the Chief Accountant (OCA) updated its FAQs that provide guidance on the SEC's rules on auditor independence. The FAQs respond to implementation and interpretation questions raised by constituents or the public. Topics covered in the new FAQs are:

- Financial relationships.
- Prohibited and nonaudit services.
- "Cooling off" period.
- Fee disclosures.

⁴⁰ SEC Proposed Rule Release No. 33-8828, *Revisions of Limited Offering Exemptions in Regulation D*.

- Audit committee preapproval.
- Parent-company auditors' independence requirements for entities applying Interpretation 46(R).⁴¹

Note that the FAQs represent the views of the OCA and are not rules, regulations, or statements of the SEC.

SEC Adopts Revisions to *EDGAR Filer Manual*

AFFECTS: All public entities.

SUMMARY: The SEC adopted revisions to its *EDGAR Filer Manual* to reflect updates to the EDGAR system. The *EDGAR Filer Manual* contains all the technical specifications filers need to submit filings using EDGAR and the provisions that filers must follow to ensure acceptance and processing of electronic filings.

The updates to the *EDGAR Filer Manual* include revisions to reflect:

- Recent expansion allowing mutual funds to submit XBRL information.
- Electronic filing of transfer agent forms.
- Termination of registration by a foreign private issuer under Section 12(g) of the Securities Exchange Act of 1934 and related reporting requirements.
- Incorporation of revisions to the "accelerated filer" definition.

NEXT STEPS: The revisions to the *EDGAR Filer Manual* became effective on August 20, 2007.

First Meeting of SEC Advisory Committee on Improvements to Financial Reporting

AFFECTS: All entities.

SUMMARY: On August 2, 2007, the recently formed SEC Advisory Committee on Improvements to Financial Reporting (CIFIR) held its first meeting. The CIFIR was formed to examine the U.S. financial reporting system and to recommend improvements that may reduce complexity and create more useful financial information.

At the meeting, CIFIR Chairman Robert Pozen, chairman of MFS Investment Management, presented a white paper outlining the primary issues for the committee to evaluate. The CIFIR is scheduled to meet through August 2008, at which time a final report is expected to be issued. Mr. Pozen indicated that one of the CIFIR's objectives is to develop 10 to 12 recommendations on how to improve the current system. To facilitate the process, the white paper proposed the following five subcommittees and their preliminary topics of focus:

- **Substantive Complexity** — This subcommittee will focus on the causes of complexity and its impact on financial accounting and reporting standards. Topics the subcommittee will discuss include (1) principles-based versus rules-based standards; (2) exceptions, bright lines, and safe harbors within standards; and (3) fair value measurement concerns and related earnings volatility.
- **Standard-Setting Process** — This subcommittee will focus on the standard-setting process and may consider topics such as (1) U.S. GAAP hierarchy, (2) the FASB and the EITF, (3) the interpretations issued by the SEC, and (4) currently existing standards and the costs and benefits resulting from their implementation.
- **Audit Process and Compliance** — This subcommittee will focus on the process of compliance with standards and environmental factors that drive unnecessary complexity (e.g., being second-guessed or achieving a specific accounting result through the structuring of transactions). Topics may include (1) causes of restatements, (2) use of judgment rather than

⁴¹ FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities* — an interpretation of ARB No. 51.

prescriptive guidance, (3) the PCAOB, (4) reviews of SEC filings, and (5) behavior of audit firms.

- **Delivering Financial Information** — This subcommittee will focus on access to financial information and how it is delivered to investors. Potential topics include exploration of technology, such as XBRL, and the formats used to present financial information (e.g., financial reports, press releases, Web disclosures).
- **International Coordination** — In general, this subcommittee will focus on whether there are best practices in international standard setting and regulation that the United States should consider. However, specific topics are not yet certain since there are SEC releases out for public comment that are expected to generate important feedback — a proposing release to permit foreign private issuers to file IFRS financial statements without reconciling them to U.S. GAAP and a concept release on giving U.S. issuers a choice of using IFRSs or U.S. GAAP for U.S. public reporting purposes.

NEXT STEPS:

The CIFIIR is expected to hold 11 future meetings and to issue a final report by August 2008.

SEC Issues Letter Clarifying Servicers' Ability to Make Loan Modifications

AFFECTS: Securitizers and investors in securitized troubled loans.

SUMMARY: Questions have been raised about the degree of discretion mortgage servicers have in modifying troubled subprime loans without jeopardizing off-balance-sheet treatment under Statement 140.⁴² Statement 140's requirements apply to on-balance-sheet versus off-balance-sheet recording of securitized assets. Generally, transferred assets should be recorded off the balance sheet when the transferor has given up control over those assets. When a loan is delinquent or a default has occurred, Statement 140's implementation guidance allows servicers to have discretion in restructuring a loan, subject to certain limitations, without calling into question off-balance-sheet treatment.

Chairman Barney Frank of the U.S. House of Representatives Committee on Financial Services issued a letter asking whether Statement 140 addresses whether a loan held in a trust can be modified when default is reasonably foreseeable or only once a delinquency or default has already occurred. SEC Chairman Christopher Cox responded that the ability to restructure mortgages when default is reasonably foreseeable would not result in the recording of those mortgage loans on their balance sheets, provided that the modifications when default is reasonably foreseeable are consistent with the nature of modification activities permitted if default actually occurred.

SEC Staff Provides Views on First-Time IFRS Reporting

AFFECTS: Foreign private issuers.

SUMMARY: The SEC has issued a report on first-time IFRS reporting. This report is based on a review of annual reports of more than 100 foreign private issuers that prepared their financial statements using IFRSs. The report makes general observations about the application of IFRSs and highlights the staff's primary areas of focus during the review:

- **Assertion of Compliance With IFRSs** — The SEC commented on assertions entities have made about compliance with IFRSs, including compliance of their financial statements with IFRSs as published by the IASB versus jurisdictional versions of IFRSs.
- **Manner of Presentation** — The SEC commented on the presentation of income statements, cash flows, accounting policies, and accounting estimates in the financial statements.
- **Topical Areas** — When disclosures required by IFRS were missing, unclear, or generic, the SEC requested additional information, primarily with respect to the following:
 - o Revenue recognition.
 - o Intangible assets and goodwill.
 - o Impairment of long-lived assets.

⁴² FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* — a replacement of FASB Statement No. 125.

- o Leases.
- o Contingent liabilities.
- o Financial instruments, including derivatives.

This list is not all-inclusive; the report includes a link to a listing of all SEC staff comments and responses. In addition, note that the SEC does not draw conclusions about a company's overall compliance with, or consistency in applying, IFRSs.

SEC Extends Voluntary XBRL Program to Mutual Funds

AFFECTS: Mutual funds.

SUMMARY: The SEC issued a final rule⁴³ to extend the current interactive data voluntary reporting program to mutual funds. The Commission first adopted this program in 2005, permitting certain filers to submit tagged financial information in XBRL format as an exhibit to filings on the EDGAR system. Beginning on August 20, 2007, this new rule will allow funds to voluntarily submit supplemental tagged information contained in the risk/return summary section of their prospectuses. Any mutual fund choosing to tag its risk/return summary information would need to continue filing the information in HTML or ASCII format.

This extension of the voluntary program is intended to help improve the quality of mutual fund disclosures. The tagging of key mutual fund information contained in the risk/return summary section of the prospectus, such as information about strategies, investment objectives, risks, and costs, could make it easier to compare the different funds.

NEXT STEPS: The amendment became effective on August 20, 2007.

SEC Votes to Adopt Antifraud Rule Under Investment Advisers Act

AFFECTS: Investment advisers to pooled investment vehicles, including hedge funds, private equity funds, venture capital funds, and mutual funds.

SUMMARY: The SEC adopted a new antifraud rule⁴⁴ under the Investment Advisers Act of 1940 (the "Advisers Act") to clarify the Commission's enforcement actions. The new rule will prohibit an investment adviser to a pooled investment vehicle (including hedge funds, private equity funds, venture capital funds, and mutual funds) from making false or misleading statements to investors or prospective investors in that pool.

All investment advisers to pooled investment vehicles are subject to this rule, regardless of whether they are registered under the Advisers Act. The new rule defines a pooled investment vehicle as (1) any investment company or (2) any company that would be an investment company but for the exclusions in Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940.

NEXT STEPS: The new rules became effective on September 10, 2007.

FASAB Developments

Proposed Statement on Reporting Gains and Losses From Changes in Assumptions

AFFECTS: Federal entities.

SUMMARY: The FASAB has issued an Exposure Draft⁴⁵ of a proposed SFFAS. The objectives of the Exposure Draft are to highlight the potentially significant effects of changes in assumptions, clarify differing practices regarding discount rates used in present value measurements, and provide guidance on

⁴³ SEC Final Rule No. 33-8823, *Extension of Interactive Data Voluntary Reporting Program on the EDGAR System to Include Mutual Fund Risk/Return Summary Information*.

⁴⁴ SEC Final Rule No. IA-2628, *Prohibition of Fraud by Advisers to Certain Pooled Investment Vehicles*.

⁴⁵ FASAB Exposure Draft, *Reporting the Gains and Losses From Changes in Assumptions and Selecting Discount Rates and Valuation Dates*.

selecting valuation dates. The proposed Statement would apply to liabilities that employ long-term assumptions (e.g., other postemployment benefits), unless the liability is addressed specifically by other SFFASs.

The Exposure Draft contains the following proposals:

- **Gains and Losses From Changes in Assumptions** — These should be shown as a discrete line item on the statement of net cost, separately from other costs and exchange revenue. In addition, within the notes to the financial statements, a reconciliation of beginning and ending liabilities should be disclosed and actuarial gains and losses should be further separated to show the subcomponent associated with changes in assumptions.
- **Selection of Discount Rates for Present Valuations** — For present value measurements of long-term liabilities, interest rates on marketable treasury securities that have maturities similar to those of the cash flows of the payments being estimated should be used. Discount rates should reflect the average historical rates on marketable treasury securities; companies should not give undue weight to recent experience with such rates.
- **Valuation Dates** — The valuation date should be consistent from year to year. Generally, measurement of liabilities and expenses should be at the end of the fiscal year, but measurements based on an actuarial valuation may be performed as of the earlier date, taking into account adjustments for effects of factor changes during the year.

NEXT STEPS:

Comments on the Exposure Draft are due by November 30, 2007.

PCAOB Developments

PCAOB Enters Into Cooperative Arrangement With Australian Securities and Investments Commission

AFFECTS:

Public accounting firms.

SUMMARY:

The PCAOB and the Australian Securities and Investments Commission have entered into a cooperative arrangement to improve the oversight of public accounting firms practicing in their regulatory jurisdictions. This cooperative arrangement is beneficial, given that the PCAOB oversees and inspects all accounting firms that regularly audit U.S. public companies, many of which are outside the United States.

Under the signed statement of protocol, the regulatory organizations will work together in fulfilling their responsibilities as auditor oversight bodies. The PCAOB also mentioned that expanding its international program is its top priority and that it is working with other oversight bodies in several non-U.S. jurisdictions to establish cooperative arrangements.

GASB Developments

GASB Issues New Standard on Intangible Assets

AFFECTS: State and local governments accounting for intangible assets.

SUMMARY: On July 10, 2007, the GASB issued Statement 51,⁴⁶ which provides comprehensive guidance on identifying, accounting for, and reporting intangible assets. This Statement clarifies the circumstances in which intangible assets should be considered capital assets as described in GASB Statement 34.⁴⁷

GASB Statement 51 defines an intangible asset as a nonfinancial asset that lacks physical substance and that has an initial useful life extending beyond a single reporting period. The Statement requires that any intangible asset meeting this definition be classified as a capital asset, provided that the intangible asset is not explicitly excluded from the Statement's scope. Under this requirement, guidance relevant to capital assets is also relevant to intangible assets. GASB Statement 51 also does the following:

- Requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable.
- Establishes a specified-conditions approach for recognizing internally generated intangible assets.
- Provides guidance on recognizing internally generated computer software.
- Establishes specific guidance for the amortization of intangible assets.

NEXT STEPS: Effective for fiscal years beginning on or after June 15, 2009.

International Developments

IASB Issues Exposure Draft on Accounting for Joint Arrangements*

AFFECTS: Entities applying IFRSs that enter into joint arrangements

SUMMARY: The Exposure Draft⁴⁸ would replace IAS 31,⁴⁹ the existing standard on joint arrangement accounting. This proposal represents the first major revision to joint arrangement accounting since IAS 31 was first issued in 1990, and is one of the short-term convergence projects between the IASB and the FASB to reduce differences between IFRSs and U.S. GAAP.

The proposal focuses on two aspects of the current accounting for joint arrangements:

- The legal form of the arrangement does not always reflect the contractual rights and obligations agreed to by the parties. Focusing on the rights and obligations of the parties involved will more realistically reflect the joint arrangement in the financial statements of the parties involved. This Exposure Draft requires parties to recognize the individual assets and liabilities to which they have rights or for which they are responsible, even if the joint arrangement operates in a separate legal entity.

⁴⁶ GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

⁴⁷ GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*.

⁴⁸ IASB Exposure Draft, *Joint Arrangements*.

⁴⁹ IAS 31, *Interests in Joint Ventures*.

- The existing standard allows joint venture parties to use either the proportionate consolidation method or the equity method when recognizing the interest in the joint venture. This Exposure Draft prohibits use of the proportionate consolidation method.

NEXT STEPS: Comments are due by January 11, 2008.

IASB Proposes Additional Guidance on Hedge Accounting*

AFFECTS: Entities that engage in derivative and hedging activities.

SUMMARY: The IASB published an Exposure Draft⁵⁰ of proposed amendments to IAS 39.⁵¹ These amendments clarify the items that can be designated as “hedged” in a hedge accounting relationship.

The Exposure Draft specifies (1) the risks that qualify for a hedge designation when an entity hedges its exposure to a financial instrument and (2) when a company may designate a portion of the financial instrument’s cash flows as a hedged item.

Ultimately, the IASB is planning to replace IAS 39, but that project is still in its early stages. The proposal of the amendments in this Exposure Draft is an early part of this project.

NEXT STEPS: Comments are due by January 11, 2008.

IASB Issues Revised Standard on Presentation of Financial Statements*

AFFECTS: Entities applying IFRSs.

SUMMARY: On September 6, 2007, the IASB issued a revised version of IAS 1, *Presentation of Financial Statements*. The new version requires that an entity must:

- Present all nonowner changes in equity (i.e., comprehensive income) either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity.
- Present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement.
- Disclose income tax associated with each component of other comprehensive income.
- Disclose reclassification adjustments relating to components of other comprehensive income.

IAS 1 changes the titles of financial statements as they will be used in IFRSs:

- “Balance sheet” will become “statement of financial position.”
- “Income statement” will become “statement of comprehensive income.”
- “Cash flow statement” will become “statement of cash flows.”

Entities are not required to use the new titles in their financial statements. All existing standards and interpretations are being amended to reflect the new terminology. The revised IAS 1 resulted in consequential amendments to 5 IFRSs, 23 IASs, and 10 interpretations.

NEXT STEPS: The revised standard is effective for the annual periods beginning on or after January 1, 2009, but early adoption is permitted.

⁵⁰ IASB Exposure Draft, *IAS 39 — Exposures Qualifying for Hedge Accounting*.

⁵¹ IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRIC Issues Interpretation of IAS 19

AFFECTS: Entities with benefit plans that apply IFRSs.

SUMMARY: On July 5, 2007, the IFRIC issued an Interpretation⁵² of IAS 19.⁵³ Paragraph 58 of IAS 19 limits the measurement of the “defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.” If a company's plan has a minimum funding requirement, contributions made in accordance with that requirement may not be available to the entity because the requirement restricts reductions in future contributions.

The Interpretation provides guidance on:

- How to determine the limit placed by IAS 19 on the amount of the surplus that can be recognized as an asset.
- How a minimum funding requirement affects that limit.
- When a statutory or contractual minimum funding requirement creates an onerous obligation for which a liability should be recognized.

When determining the limit on a defined benefit asset in accordance with paragraph 58, entities are required, under IFRIC Interpretation 14, to measure any economic benefits available to them in the form of refunds or reductions in future contributions at the maximum amount that is consistent with (1) the terms and conditions of the plan and (2) any statutory requirements within the jurisdiction of the plan. Such economic benefits are regarded as available to an entity if the entity has an unconditional right to realize them at some point during the life of the plan or when the plan is settled, even if they are not realizable immediately at the balance sheet date.

The IFRIC also later issued a [document](#) clarifying certain issues associated with defined benefit pension assets and their minimum funding requirements under IFRIC Interpretation 14. The document's objective is to address incorrect interpretations of IFRIC Interpretation 14 made by certain market commentators after the Interpretation was issued.

NEXT STEPS: IFRIC 14 is effective for fiscal years beginning on or after January 1, 2008; earlier application is permitted.

IFRIC Issues Proposed Guidance on Real Estate Sales

AFFECTS: Real estate developers that apply IFRSs.

SUMMARY: The IFRIC has issued a proposed Interpretation⁵⁴ on real estate sales. The Interpretation's objective is to standardize real estate developers' accounting for sales of units (e.g., apartments, houses) before the completion of construction.

Real estate developers may interpret IFRSs differently, resulting in inconsistent revenue recognition for these sales. For example, some developers may record revenue when the buyer receives the completed unit, while others may record revenue as construction progresses depending on the stage of completion. The Interpretation distinguishes between sales agreements for either (1) construction services or (2) a sale of goods (i.e., completed real estate), proposing that revenue recognized as construction progresses is only appropriate under an agreement for construction services, not an agreement for a sale of goods.

NEXT STEPS: Comments are due by October 5, 2007.

⁵² IFRIC Interpretation 14, *IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*.

⁵³ IAS 19, *Employee Benefits*.

⁵⁴ IFRIC Draft Interpretation D21, *Real Estate Sales*.

IFRIC Issues Proposed Guidance on Hedges of a Net Investment in a Foreign Operation

AFFECTS:	Entities that have foreign operations or that hedge foreign-currency risk.
SUMMARY:	<p>The IFRIC issued a proposed Interpretation⁵⁵ that clarifies certain aspects of IAS 21⁵⁶ and IAS 39, including what may be considered a hedged risk and where the hedging instrument may be held within a group.</p> <p>For some entities, the currency used in presenting the financial statements differs from the functional currency; such entities may have used hedge accounting when translating the functional currency to the presentation currency. The Interpretation would disallow hedge accounting in these circumstances because translating for presentation purposes does not represent a hedgeable economic risk. The Interpretation concluded that the hedged risk instead is the foreign-currency exposure arising between the functional currency of the foreign operation and the functional currency of any parent entity within the group structure.</p> <p>The Interpretation clarifies that in group structures comprising a main parent entity as well as intermediate parent entities of the foreign subsidiary, any subsidiary or parent entity may hold the hedging instrument, regardless of the entity's functional currency. To assess the effectiveness of the hedging instrument in offsetting the foreign exchange risk, an entity should calculate the change in value of the instrument in the functional currency of the parent hedging its risk.</p>
NEXT STEPS:	Comments are due by October 19, 2007. The proposed Interpretation would be applied prospectively.

Meeting to Promote Global Convergence in Emerging and Transition Economies

AFFECTS:	Entities and their regulators that are planning to adopt or converge with IFRSs.
SUMMARY:	<p>On July 10–11, 2007, representatives from the World Bank, the United Nations Conference on Trade and Development, the European Union, 17 emerging markets, transition economies, and developed-market economies met at the Symposium on International Convergence of Accounting in Emerging Markets and Transition Economies. The meeting was jointly hosted by the IASB and the Chinese Accounting Standards Committee.</p> <p>The group discussed various approaches taken, and challenges encountered, by emerging markets and transition economies during their adoption of, or convergence with, IFRSs. Such dialogues are expected to promote a single, global, high-quality set of financial reporting standards and to facilitate the development, implementation, and training of IFRSs in emerging markets and transition economies.</p>

Japan and India Agree With IASB on Achieving Convergence by 2011

AFFECTS:	Japanese and Indian entities reporting under their respective local GAAP.
SUMMARY:	<p>The IASB and the Accounting Standards Board of Japan agreed to accelerate the efforts to eliminate differences between Japanese GAAP and IFRSs. The two bodies agreed to eliminate major differences by 2008, with plans to remove the remaining differences by June 30, 2011. When new IFRSs become effective, both bodies agreed to cooperate to ensure the acceptance of the international approach in Japan.</p> <p>Also, the Institute of Chartered Accountants of India, in its 269th meeting, announced its intention to fully converge with IFRSs. Like other countries such as Australia, New Zealand, and countries in the European Union, India will adopt IFRSs for listed entities as well as for other public interest entities, such as banks, insurance companies, and large entities.</p>
NEXT STEPS:	The convergence is expected to be complete in both countries by 2011.

⁵⁵ IFRIC Draft Interpretation D22, *Hedges of a Net Investment in a Foreign Operation*.

⁵⁶ IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Other Developments

Center for Audit Quality Issues Final White Papers — Key Accounting Issues and the Credit Environment*

AFFECTS: All entities.

SUMMARY: On October 3, 2007, the Center for Audit Quality (CAQ) issued three [white papers](#) addressing key accounting issues resulting from the current turbulent conditions in the credit markets. The papers focus on three issues:

- [Fair value measurements in illiquid \(or less liquid\) markets.](#)
- [Consolidation of commercial paper conduits.](#)
- [Accounting for underwriting and loan commitments.](#)

The CAQ has shared the papers with staffs of the SEC, FASB, PCAOB, and with various banking regulators.

In its press release announcing the issuance of the white papers, the CAQ stated:

These white papers address accounting issues arising from or related to the current illiquid market conditions from the perspective of existing generally accepted accounting principles (GAAP). The white papers articulate certain existing accounting practices and requirements of GAAP literature related to the specific issues addressed, with the intention of helping auditors understand the application of existing GAAP in the context of illiquid market conditions. The issues addressed in the white papers should be considered in the light of an entity's particular facts and circumstances, and auditors will need to exercise professional judgment in addressing specific fact patterns.

COSO Releases Discussion Document on Monitoring Internal Control*

AFFECTS: All entities.

SUMMARY: The COSO has released a discussion document, *Guidance on Monitoring Internal Control Systems*. The release of this document represents the first phase of the two-phase monitoring project to "more fully develop the monitoring component of COSO's *Internal Control — Integrated Framework*."

The objective of the discussion document is to help organizations "(1) recognize and properly use effective monitoring where it exists, and (2) implement effective monitoring where it is needed." The document states that "monitoring is most likely to achieve its purpose through the mutually dependant [*sic*] characteristics of effectiveness and efficiency." The document focuses on three primary elements that influence effectiveness and efficiency of monitoring:

- The control environment.
- The ability of the organization to "prioritize effective monitoring procedures" and to allocate monitoring resources in proportion to the "underlying level of risk."
- The organization's ability to report monitoring results in a timely manner.

The COSO board believes that the monitoring component "has often been underutilized by organizations of all sizes." The second phase of the project will provide examples, case studies, and tools to help organizations implement effective and efficient monitoring. The COSO plans to release an Exposure Draft of the full implementation guidance by the end of the year, with final guidance scheduled for release early next year.

The COSO is seeking feedback on whether constituents clearly understand the concepts discussed, and agree with the conclusions reached, in the discussion document. In addition, the COSO is looking for examples of innovative approaches used in monitoring the effectiveness of internal control.

EFFECTIVE:

Comments on the discussion document are due by October 31, 2007, and can be submitted directly through the COSO's Web site.

Appendix A: Recent Meetings

This appendix summarizes standard-setter meetings that took place during September.

Recent FASB Meetings

To jump to the minutes of a FASB meeting, click a date or link below.

September 6, 2007

The Board discussed the following topics:

- [Accounting for Contingencies](#).
- [Useful Life and Amortization of Intangible Assets](#).

September 19, 2007

The Board discussed the following topics:

- [Subsequent Events](#).
- [Going Concern and Liquidation Basis of Accounting](#).
- [Mergers and Acquisitions by a Not-for-Profit Organization](#).

September 26, 2007

The Board discussed the following topics:

- [Derivative Disclosures](#).
- [Agenda Decision: Interaction Between Statement 13 and Statement 157](#).
- [FASB Ratification of EITF Consensuses and Tentative Conclusions](#).

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 ASB Meetings

There was no ASB meeting in September 2007. The next ASB meeting is scheduled for October 23–25, 2007.

Recent AcSEC Meetings

At its September 18, 2007, meeting, the AcSEC discussed the following topics:

- Casino Audit and Accounting Guide.
- Health Care Audit and Accounting Guide.
- Insurance Audit and Accounting Guide.
- Not-for-Profit Audit and Accounting Guide.

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

Recent FASAB Meetings

At its September 19–20, 2007, meeting, the FASAB discussed the following topics:

- Communication Methods (Conceptual Framework) (Tab A).
- Fiscal Sustainability (Tab B).
- Social Insurance (Tab C).
- AAPC Exposure Draft (Tab D).
- Elements to Consider Ballot Draft Concept Statement (Tab E).
- Appropriate Sources for GAAP (Tab F).
- Federal Entity (Tab G).
- Agenda Setting/Convergence.

The [agenda](#) and [agenda materials](#) are available on the FASAB's Web site.

Recent IASB Meetings

At its September 18–21, 2007, meeting in London, the IASB discussed the following topics:

- Fair Value Measurement (information session).
- IFRS 1, *First-time Adoption of International Financial Reporting Standards* — Cost of Investment in a Subsidiary.
- Related Party Disclosures — Amendments to IAS 24.
- Postemployment Benefits.
- Conceptual Framework — Reporting Entity.
- Conceptual Framework — Objectives and Qualitative Characteristics — Discussion of Responses to July 2006 Discussion Paper About the Proposed Objective of Financial Reporting.
- Annual Improvements in 2006–2007.
- Earnings per Share.
- IFRSs for Small and Medium-sized Entities.
- Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation — Final Decisions on Amendment to IAS 32, *Financial Instruments: Presentation*.

The [agenda](#) of the meeting and the [agenda papers](#) for various topics discussed at the meeting are available on the IASB's Web site.

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

Recent IFRIC Meetings

At its September 6–7, 2007, meeting in London, the IFRIC discussed the following topics:

- IAS 27, *Consolidated and Separate Financial Statements* — Accounting for Noncash Distributions.
- IAS 18, *Revenue* — Guidance on Identifying Agency Arrangements.
- IAS 18, *Revenue* — Customer Contributions.
- IFRS 2, *Share-based Payment* — Group Cash-Settled Share-Based Payment Transactions.

The [agenda](#) of the meeting and the [agenda papers](#) for various topics discussed at the meeting are available on the IASB's Web site.

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

Appendix B: Significant Adoption Dates and Deadlines

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

FASB	Status
Significant Adoption Dates	
Statement 159, <i>The Fair Value Option for Financial Assets and Financial Liabilities</i> — including an amendment of FASB Statement No. 115	Effective as of the beginning of the entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided that the entity (1) also adopts the requirements of Statement 157 concurrently with or prior to the adoption of this Statement, (2) makes that choice within 120 days of the beginning of the fiscal year of adoption, and (3) at the time the entity chooses to early adopt, the entity has not yet issued financial statements, including required notes to those financial statements, for any interim period of the fiscal year that included the early adoption date.
Statement 158, <i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans</i> — an amendment of FASB Statements No. 87, 88, 106, and 132(R)	Recognition of asset and liability related to funded status of a plan and disclosures: <ul style="list-style-type: none"> For entities with publicly traded equity securities, effective for fiscal years ending after December 15, 2006. For all other entities, effective for fiscal years ending after June 15, 2007. For all entities, change in measurement date is effective for fiscal years ending after December 15, 2008.
Statement 157, <i>Fair Value Measurements</i>	Effective for fiscal years beginning after November 15, 2007, and interim periods within those years. Earlier adoption is permitted, provided that no financial statements have yet been issued within that fiscal year.
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 158-1, "Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides"	Effective concurrently with the requirements of Statement 158.
FSP FAS 126-1, "Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities"	Effective for fiscal periods beginning after December 15, 2006. If an entity issues interim financial statements, the FSP shall be applied to the first interim period after the date of adoption.
FSP FAS 123(R)-6, "Technical Corrections of FASB Statement No. 123(R)"	Effective for the first reporting period beginning after October 20, 2006, or an earlier period for which financial statements have not yet been issued.
FSP FAS 123(R)-5, "Amendment of FASB Staff Position FAS 123(R)-1"	Effective for the first reporting period beginning after October 10, 2006, or an earlier period for which financial statements have not yet been issued.
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 48-1, "Definition of <i>Settlement</i> in FASB Interpretation No. 48"	Effective upon the initial adoption of Interpretation 48.

FSP FIN 46(R)-7, "Application of FASB Interpretation No. 46(R) to Investment Companies"	The effective date for applying the provisions of Interpretation 46 or Interpretation 46(R) is deferred for investment companies that are not subject to SEC Regulation S-X, Rule 6-03(c)(1), but that are currently accounting for their investments in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide, <i>Investment Companies</i> , until the date that the investment company initially adopts AICPA Statement of Position 07-1, <i>Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies</i> . An entity that is required to discontinue application of the specialized accounting in the Guide as a result of adoption of SOP 07-1 is subject to the provisions of Interpretation 46(R) at that time. Paragraph 4(e) of FASB Interpretation 46(R), <i>Consolidation of Variable Interest Entities</i> , states that "investments accounted for at fair value in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide, <i>Investment Companies</i> , are not subject to consolidation according to the requirements of this Interpretation." [Footnote omitted] Accordingly, an entity that meets the definition of an investment company after adoption of SOP 07-1 should continue to apply the specialized accounting in the Guide to its investments.
FSP FIN 39-1, "Amendment of FASB Interpretation No. 39"	Effective for fiscal years beginning after November 15, 2007.
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 EITF 00-19-2, "Accounting for Registration Payment Arrangements"	Effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified after December 21, 2006. Otherwise, effective for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years.
FSP AUG AIR-1, "Accounting for Planned Major Maintenance Activities"	Effective for first fiscal year beginning after December 15, 2006.
Projects in Request-for-Comment Stage	
Proposed FSP APB 14-a, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)"	Comments due October 15, 2007.
Invitation to Comment on a FASB Agenda Proposal, <i>Accounting for Insurance Contracts by Insurers and Policyholders, Including the IASB Discussion Paper</i> , Preliminary Views on Insurance Contracts	Comments due November 16, 2007.
Proposed FSP SOP 94-3-a and AAG HCO-a, "Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations"	Comments due November 30, 2007.

EITF	Status
Significant Adoption Dates	
Issue 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities"	Effective for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Apply prospectively to new contracts entered into on, or after, the effective date.
Issue 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards"	Apply prospectively to the income tax benefits of dividends declared on affected securities in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Earlier application is permitted as of the beginning of a fiscal year for which interim or annual financial statements have not been issued.
Issue 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements"	Effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years. Earlier application is permitted.
Issue 06-9, "Reporting a Change in (or the Elimination of) a Previously Existing Difference Between the Fiscal Year-End of a Parent Company and That of a Consolidated Entity or Between the Reporting Period of an Investor and That of an Equity Method Investee"	Effective for changes occurring in interim or annual reporting periods beginning after November 29, 2006.
Issue 06-8, "Applicability of the Assessment of a Buyer's Continuing Investment Under FASB Statement No. 66, <i>Sales of Real Estate</i> , for Sales of Condominiums"	Effective for first annual reporting period beginning after March 15, 2007.
Issue 06-7, "Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133, <i>Accounting for Derivative Instruments and Hedging Activities</i> "	Effective for interim and annual periods beginning after December 15, 2006.
Issue 06-6, "Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments"	Applies to modifications (or exchanges) occurring in interim or annual reporting periods beginning after November 29, 2006.
Issue 06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance With FASB Technical Bulletin No. 85-4"	Effective for fiscal years beginning after December 15, 2006.
Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"	Effective for fiscal years beginning after December 15, 2007.
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 06-1, "Accounting for Consideration Given by a Service Provider to a Manufacturer or Reseller of Equipment Necessary for an End-Customer to Receive Service From the Service Provider"	Effective for fiscal years beginning after June 15, 2007.
Projects in Request-for-Comment Stage	
Issue 07-1, "Accounting for Collaborative Arrangements"	Comments due October 22, 2007.
Issue 07-4, "Application of the Two-Class Method Under FASB Statement No. 128, <i>Earnings per Share</i> , to Master Limited Partnerships"	Comments due October 22, 2007.
Issue 07-6, "Accounting for the Sale of Real Estate When the Agreement Includes a Buy-Sell Clause"	Comments due October 22, 2007.

AICPA/AcSEC	Status
Significant Adoption Dates	
SOP 07-1, <i>Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies</i>	Effective for fiscal years beginning on or after December 15, 2007.
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 114, <i>The Auditor's Communication With Those Charged With Governance</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 113, <i>Omnibus — 2006</i>	The amendments in paragraphs 1–5 of this SAS are effective for audits of financial statements for periods beginning on or after December 15, 2006. The amendments in paragraphs 7–14 of this SAS are effective for audits of financial statements for periods ending on or after December 15, 2006.
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 audits of financial statements for periods ending on or after December 15, 2006.
SSAE 14, <i>SSAE Hierarchy</i>	Effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006.
SSARS 15, <i>Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services</i>	Effective for periods ending on or after December 15, 2007.
Conforming changes to AICPA Professional Standards, AT Section 501, "Reporting on an Entity's Internal Control Over Financial Reporting," 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, "Conceptual Framework for AICPA Independence Standards"	Effective April 30, 2007.

AICPA Auditing Interpretation, Section 325, <i>Communicating Deficiencies in Internal Control Over Compliance in an Office of Management and Budget (OMB) Circular A-133 Audit</i>	Effective immediately.
Projects in Request-for-Comment Stage	
AICPA Proposed Statement on Standards for Accounting and Review Services, <i>Defining Professional Requirements in Statements on Standards for Accounting and Review Services</i>	Comments due October 25, 2007.
AICPA Proposed Interpretation 101-17, <i>Networks and Network Firms</i>	Comments due November 13, 2007.
AICPA Proposed Audit and Accounting Guide, <i>Airlines</i>	Comments due December 15, 2007.
SEC	Status
Significant Adoption Dates	
Final Rule, <i>Prohibition of Fraud by Advisers to Certain Pooled Investment Vehicles</i>	Effective September 10, 2007.
Final Rule, <i>Adoption of Updated EDGAR Filer Manual</i>	Effective August 20, 2007.
Final Rule, <i>Definition of the Term Significant Deficiency</i>	Effective September 10, 2007.
Final Rule, <i>Shareholder Choice Regarding Proxy Materials</i>	Effective January 1, 2008, except Sections 240.14a-16(d)(3) and 240.14a-16(j)(3), which are effective October 1, 2007.
Final Rule, <i>Extension of Interactive Data Voluntary Reporting Program on the EDGAR System to Include Mutual Fund Risk/Return Summary Information</i>	Effective August 20, 2007.
Final Rule, <i>Amendments to Rules Regarding Management's Report on Internal Control Over Financial Reporting</i>	Effective August 27, 2007, except the amendment to Section 210.2-02T, which is effective from August 27, 2007, until June 30, 2009.
Final Rule, <i>Covered Securities Pursuant to Section 18 of the Securities Exchange Act of 1933</i>	Effective May 24, 2007.
Final Rule, <i>Termination of a Foreign Private Issuer's Registration of a Class of Securities Under Section 12(g) and Duty to File Reports Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934</i>	Effective June 4, 2007.
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies</i>	For nonaccelerated filers, auditor's attestation report on internal control over financial reporting must be included with annual reports for fiscal years ending on or after December 15, 2008. Management's report is required for fiscal years ending on or after December 15, 2007. For a newly public company, the requirement to provide either a management assessment of internal control over financial reporting or an auditor attestation report will be effective when the company files its second annual report with the SEC.
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Foreign Private Issuers That Are Accelerated Filers</i>	For foreign private issuers that are accelerated filers (but not large accelerated filers), the 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.
Interim Final Rule, <i>Executive Compensation Disclosure</i>	Effective December 29, 2006.
Final Rule, <i>Executive Compensation and Related Person Disclosure</i>	In Form 8-K, effective for triggering events that occur on or after November 7, 2006; 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.

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>First-Time Application of International Financial Reporting Standards</i> (amendments to Form 20-F)	Rule will apply to foreign private issuers that adopt IFRSs prior to, or for the first financial year starting on or after, January 1, 2007.
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 that file annual reports on Form 20-F or Form 40-F.
SAB 108 (on the process of quantifying financial statement misstatements)	Effective for annual financial statements covering the first fiscal year ending after November 15, 2006.
Final Rule, <i>Internet Availability of Proxy Materials</i>	Effective March 30, 2007. Issuers may not send a notice of availability of proxy materials over the Internet until July 30, 2007.
Projects in Request-for-Comment Stage	
Proposed Rule, <i>Shareholder Proposals</i>	Comments due October 2, 2007.
Proposed Rule, <i>Shareholder Proposals Relating to the Election of Directors</i>	Comments due October 2, 2007.
Proposed Rule, <i>Revisions of Limited Offering Exemptions in Regulation D</i>	Comments due October 9, 2007.
Concept Release, <i>Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance With International Financial Reporting Standards</i>	Comments due November 13, 2007.
PCAOB	Status
Significant Adoption Dates	
Auditing Standard 5, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>	Effective for audits of fiscal years ending on or after November 15, 2007. Earlier adoption is permitted. Auditors who elect to comply with Auditing Standard 5 before its effective date must also comply, at the same time, with PCAOB Rule 3525 and other PCAOB standards as amended by this release.
Auditing Standard 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, 2006, for foreign private issuers that are accelerated filers and file annual reports on Form 20-F or Form 40-F. Effective for fiscal years ending on or after December 15, 2007, for "nonaccelerated filers," including foreign private issuers that are not accelerated filers, who are required to provide management's report on internal control over financial reporting. In addition, a nonaccelerated filer is required to file the auditor's attestation report on internal control over financial reporting when it files an annual report for its first fiscal year ending on or after December 15, 2008.
Rule 3525, <i>Audit Committee Pre-Approval of Non-Audit Services Related to Internal Control Over Financial Reporting</i>	Effective for audits of internal control for periods ending on or after November 15, 2007.

Rule 3524, <i>Audit Committee Pre-Approval of Certain Tax Services</i>	Rule will not apply to any tax service preapproved on an engagement-by-engagement basis before June 18, 2006. With respect to tax services provided to audit clients whose audit committees preapprove 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 during the professional engagement period pursuant to an engagement in process at April 19, 2006, as long as such services are completed on or before October 31, 2006. Rule will not apply to tax services being provided on or before July 31, 2007, as long as those services were performed during the audit period and completed before the beginning of the professional engagement period.
Rule 3522, <i>Tax Transactions</i>	Rule will not apply to tax services that are completed by a registered public accounting firm before June 18, 2006.
Rule 3521, <i>Contingent Fees</i>	Rule will not apply to contingent fee arrangements that, before June 18, 2006, were (1) paid in their entirety, (2) converted to fixed-fee arrangements, or (3) otherwise unwound.
Release 2006-008, <i>Amendments to Board Rules Relating to Inspections</i>	Effective December 8, 2006.
GASB/GAO	Status
Significant Adoption Dates	
Statement 51, <i>Accounting and Financial Reporting for Intangible Assets</i>	Effective for fiscal years beginning on or after June 15, 2009.
Statement 50, <i>Pension Disclosures</i>	Generally effective for periods beginning after June 15, 2007, with early adoption encouraged. For governments using the aggregate actuarial cost method, related provisions are effective for financial statements and required supplementary information that contains information from actuarial valuations as of June 15, 2007, or later.
Statement 49, <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i>	Effective for financial statements for periods beginning after December 15, 2007.
Statement 48, <i>Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues</i>	Effective for financial statements for periods beginning after December 15, 2006.
Statement 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.
Statement 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 multiple-employer plan.
Technical Bulletin 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 GASB Statements 43 and 45. Those provisions would be applied upon the adoption of Statements 43 and 45.

Technical Bulletin 2004-2, <i>Recognition of Pension and Other Postemployment Benefit 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 other postemployment benefit transactions, the provisions should be applied simultaneously with the requirements of GASB Statement 45.
Project in Request-for-Comment Stage	
GASB Exposure Draft, <i>Accounting and Financial Reporting for Derivative Instruments</i>	Comments due October 26, 2007.
FASAB	Status
Significant Adoption Dates	
Technical Bulletin 2006-1, <i>Recognition and Measurement of Asbestos-Related Cleanup Costs</i>	Effective for periods beginning after September 30, 2009.
Statement 31, <i>Accounting for Fiduciary Activities</i>	Effective for periods beginning after September 30, 2008.
Interpretation 7, <i>Items Held for Remanufacture</i>	Effective March 16, 2007.
Technical Release 7, <i>Clarification of Standards Relating to the National Aeronautics and Space Administration's Space Exploration Equipment</i>	Effective May 25, 2007.
Project in Request-for-Comment Stage	
Proposed Statement, <i>Reporting Gains and Losses From Changes in Assumptions and Selecting Discount Rates and Valuation Dates</i>	Comments due November 30, 2007.
IASB/IFRIC	Status
Significant Adoption Dates	
IFRS 8, <i>Operating Segments</i>	Effective for annual periods beginning on or after January 1, 2009.
IFRS 7, <i>Financial Instruments: Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
Amendment to IAS 1, <i>Presentation of Financial Statements</i>	Effective for annual periods beginning on or after January 1, 2009.
Amendment to IAS 23, <i>Borrowing Costs</i>	Effective for annual periods beginning on or after January 1, 2009.
Amendment to IAS 1, <i>Presentation of Financial Statements — Capital Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
IFRIC Interpretation 14, <i>IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction</i>	Effective for annual periods beginning on or after January 1, 2008.
IFRIC Interpretation 13, <i>Customer Loyalty Programmes</i>	Effective for annual periods beginning on or after July 1, 2008.
IFRIC Interpretation 12, <i>Service Concession Arrangements</i>	Effective for annual periods beginning on or after January 1, 2008.
IFRIC Interpretation 11, <i>Group and Treasury Share Transactions</i>	Effective for annual periods beginning on or after March 1, 2007.
IFRIC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	Effective for annual periods beginning on or after November 1, 2006.
Projects in Request-for-Comment Stage	
IASB Exposure Draft, <i>IFRS for Small and Medium-sized Entities</i>	Comments due October 1, 2007.
IFRIC Draft Interpretation D21, <i>Real Estate Sales</i>	Comments due October 5, 2007.
IFRIC Draft Interpretation D22, <i>Hedges of a Net Investment in a Foreign Operation</i>	Comments due October 19, 2007.

IASB Discussion Paper, <i>Preliminary Views on Insurance Contracts</i>	Comments due November 16, 2007.
IASB Exposure Draft, <i>Joint Ventures</i>	Comments due January 11, 2008.
IASB Exposure Draft, <i>IAS 39 — Exposures Qualifying for Hedge Accounting</i>	Comments due January 11, 2008.
COSO	Status
Project in Request-for-Comment Stage	
COSO Discussion Document, <i>Guidance on Monitoring Internal Control Systems</i>	Comments due October 31, 2007.

Appendix C: Summary of SAB Topic 11.M

SEC Staff Accounting Bulletin Topic 11.M indicates that filings should include disclosure of the impact that a recently issued accounting standard will have on the financial position and results of operations of the registrant when such a standard is adopted in a future period. This disclosure guidance applies to all accounting standards that have been issued but not yet adopted by the registrant unless the impact on its financial position and results of operations is not expected to be material. MD&A requires disclosure of presently known material changes, trends, and uncertainties that have had or that the registrant reasonably expects will have a material impact on future sales, revenues, or income from continuing operations. With respect to financial statement disclosure, GAAS specifically address the need for the auditor to consider the adequacy of the disclosure of impending changes in accounting principles if (a) the financial statements have been prepared on the basis of accounting principles that were acceptable at the financial statement date but that will not be acceptable in the future and (b) the financial statements will be restated in the future as a result of the change. The SEC staff believes that recently issued accounting standards may constitute material matters and, therefore, disclosure in the financial statements should also be considered in situations in which the change to the new accounting standard will be accounted for in financial statements of future periods, prospectively or with a cumulative catch-up adjustment.

Disclosures should include the following:

- A brief description of the new standard, the date that adoption is required, and the date that the registrant plans to adopt, if earlier.
- A discussion of the methods of adoption allowed by the standard and the method expected to be utilized by the registrant, if determined.
- A discussion of the impact that adoption of the standard is expected to have on the financial statements of the registrant, unless not known or reasonably estimable. In that case, a statement to that effect may be made.

Disclosure of the potential impact of other significant matters that the registrant believes might result from the adoption of the standard (e.g., technical violations of debt covenant agreements, planned or intended changes in business practices) is encouraged.

Appendix D: Abbreviations

AcSEC	Accounting Standards Executive Committee	IFRIC	International Financial Reporting Interpretations Committee
AICPA	American Institute of Certified Public Accountants	IFRS	International Financial Reporting Standard
APB	Accounting Principles Board	ITAC	Investors Technical Advisory Committee
ARB	Accounting Research Bulletin	ITC	Invitation to Comment
ASB	Auditing Standards Board	MD&A	Management's Discussion & Analysis
COSO	Committee of Sponsoring Organizations of the Treadway Commission	NAIC	National Association of Insurance Commissioners
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
FASAB	Federal Accounting Standards Advisory Board	SEC	Securities and Exchange Commission
FASB	Financial Accounting Standards Board	SFFAC	Statement of Federal Financial Accounting Concepts
FIN	FASB Interpretation	SFFAS	Statement of Federal Financial Accounting Standards
FSP	FASB Staff Position	SOP	Statement of Position
GAAP	Generally Accepted Accounting Principles	SSAE	Statement on Standards for Attestation Engagements
GAAS	Generally Accepted Auditing Standards	SSARS	Statement on Standards for Accounting and Review Services
GASB	Governmental Accounting Standards Board	TPA	Technical Practice Aid
IAS	International Accounting Standard		
IASB	International Accounting Standards Board		
IFAC	International Federation of Accountants		

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.

Further information about the standard setters can be found on their respective Web sites as follows: www.fasb.org (FASB); www.fasb.org/eitf/agenda.shtml (EITF); www.aicpa.org (AICPA); www.sec.gov (SEC); www.gasb.org (GASB); www.fasab.gov (FASAB); and www.iasb.org or www.iasplus.com/index.htm (IASB and IFRIC).

Accounting Roundup: Third Quarter in Review — 2007 is prepared by the National Office Accounting Standards and Communications Group of Deloitte & Touche LLP ("Deloitte & Touche"). The purpose of this publication is to briefly describe key regulatory and professional developments that have recently occurred in the field of accounting and to provide links to locations where additional information can be found on each topic. Readers seeking additional information about a topic should review the information referred to in the hyperlinks and not rely solely on the descriptions included in this communication.

This publication contains general information only and Deloitte & Touche is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte & Touche, its affiliates and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

Subscriptions

If you wish to receive *Accounting Roundup* and other accounting publications issued by the Accounting Standards and Communications Group of Deloitte & Touche, please [register](http://www.deloitte.com/us/subscriptions) at www.deloitte.com/us/subscriptions.

Dbriefs for Financial Executives

We invite you to participate in *Dbriefs*, Deloitte & Touche's webcast series that delivers practical strategies you need to stay on top of important issues. Gain access to valuable ideas and critical information from webcasts presented each month on:

- Sarbanes-Oxley.
- Corporate governance.
- Private companies.
- Financial reporting.
- Driving enterprise value.
- Transactions and business events.

Dbriefs also provides a convenient and flexible way to earn CPE credit — right at your desk. [Join Dbriefs](#) to receive notifications about future webcasts at www.deloitte.com/us/dbriefs.

On October 9 at 2:00 PM EDT, we will host a 90-minute webcast, "Quarterly Accounting Roundup: An Update of Important Developments." [Register](#) for this webcast today.

Technical Library: The Deloitte Accounting Research Tool Available

Deloitte & Touche makes available, on a subscription basis, access to its online library of accounting and financial disclosure literature. Called Technical Library: The Deloitte Accounting Research Tool, the library includes material from the FASB, the EITF, the AICPA, the PCAOB, the IASB, and the SEC, in addition to Deloitte's own accounting manuals and other interpretive accounting guidance.

Updated every business day, Technical Library has an intuitive design and navigation system that, together with its powerful search features, enable users to quickly locate information anytime, from any computer. In addition, Technical Library subscribers receive *Technically Speaking*, the weekly publication that highlights recent additions to the library.

For more information, including subscription details and an online demonstration, visit www.deloitte.com/us/techlibrary.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of approximately 150,000 people worldwide, Deloitte delivers services in four professional areas—audit, tax, consulting, and financial advisory services—and serves more than 80 percent of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the U.S., Deloitte & Touche USA LLP is the U.S. member firm of Deloitte Touche Tohmatsu, and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP, and their subsidiaries) and not by Deloitte & Touche USA LLP. The subsidiaries of the U.S. member firm are among the nation's leading professional services firms, providing audit, tax, consulting, and financial advisory services through nearly 40,000 people in more than 90 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the U.S. member firm's Web site at www.deloitte.com/us.