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Accounting Roundup

Year in Review — 2007



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
Welcome to the 2007 edition of *Accounting Roundup Year in Review*. In 2007, standard setters and regulators primarily focused on global convergence of accounting standards, volatility in the credit markets, fair value, and XBRL. We expect these will continue to be significant areas of focus throughout 2008.

This issue of *Accounting Roundup Year in Review* summarizes topics, as well as final guidance issued in 2007, that affect reporting and disclosures for this reporting season. With three exceptions (discussed below), proposed guidance, such as Exposure Drafts and Invitations to Comment, is not included. Please refer to our 2007 monthly and quarterly issues of *Accounting Roundup* for more information about these documents and about the deadlines for related comment letters.

There are three proposed FSPs that, if approved, would affect accounting or disclosures in this year's reporting season. These proposals are on the following topics:

- Partial deferral of Statement 157 on fair value (FSP FAS 157-b).
- Deferral for private companies of Interpretation 48 on uncertain tax positions (FSP FIN 48-b).
- Indefinite deferral of SOP 07-1 on investment companies (FSP SOP 07-1-a).

This issue of *Accounting Roundup Year in Review* addresses the substance of these proposed FSPs, including their potential impact on 2007 reporting. Preparers and auditors: note that the comment periods of the proposed FSPs for Statement 157 and Interpretation 48 do not lapse until mid-January.

For more information about a topic, click one of the blue links, which are underlined or indicated by the  symbol. The links let you access useful resources such as the Web sites of the relevant standard setters, including the FASB, GASB, SEC, PCAOB, AICPA, and IASB.

So where are things headed in 2008? Convergence to one set of global accounting standards will certainly be a focus. With the issuance of the new business combinations statement, the FASB has just completed its most significant convergence effort to date with the IASB. The FASB and IASB have also begun working on joint projects in many other areas, including liabilities and equity, earnings per share, and inventory costs.

The SEC is exploring the possibility of U.S. registrants reporting under IFRSs. The Commission recently issued a concept release and held roundtables to solicit input on whether U.S. issuers should be permitted to use IFRSs in preparing their financial statements. The SEC is also sure to focus on XBRL. Chairman Cox recently announced the release of an online tool that uses XBRL to facilitate executive pay comparisons for 500 American companies. In September, he announced the completion of an XBRL project to comprehensively map the elements of U.S. GAAP for use in automated financial reporting. The XBRL mapping was recently released for public review and comment.

- For information about the 2007 AICPA National Conference on Current SEC and PCAOB Developments, see the [December 20, 2007, Heads Up](#).
- For more information about the IFRS SEC roundtables, see the [December 18, 2007, Heads Up](#).
- For more information about XBRL, see the [December 10, 2007, Heads Up](#).

We encourage you to keep up to date on the actions of the regulators and standard setters during 2008 through our *Accounting Roundup* series, *EITF Snapshot* series, *Heads Up* articles, and *Dbriefs* webcasts. Please join us for our upcoming *Dbriefs* webcast on January 15, 2008: [Quarterly Accounting Roundup: An Update of Important Developments](#).

We hope that *Accounting Roundup Year in Review* will be helpful to you this financial reporting season. As always, we welcome your feedback. Please send questions and comments to accountingstandards@deloitte.com.

Happy New Year,

Deloitte & Touche LLP



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Fair Value

On the heels of Statement 157, which provided guidance on **how** entities should measure fair value, early this year the FASB issued Statement 159, which expands the scope of **what** may be carried at fair value. Despite the abundance of guidance, however, companies are still finding it difficult to determine fair value because of the complexity of transactions and illiquid markets. We hope that the articles in this section will help companies interpret the various guidance on fair value.

One specific point to keep in mind is the proposed partial deferral of Statement 157's effective date. Comments on the proposed FSP are not due back until January 16, but if the partial deferral is approved, it would affect disclosures in financial statements for this reporting season and adoption in January 2008 for calendar-year-end companies.

FASB Issues Statement 159 on the Fair Value Option

AFFECTS: All entities.

SUMMARY: The FASB issued Statement 159, which permits an entity to measure certain financial assets and financial liabilities at fair value. The Statement's objective is to improve financial reporting by allowing entities to reduce volatility in reported earnings, caused by the measurement of related assets and liabilities using different attributes, without having to apply complex hedge accounting rules.

Under Statement 159, entities that elect the FVO will report unrealized gains and losses in earnings as of each subsequent reporting date. The FVO may be elected on an instrument-by-instrument basis with a few exceptions, as long as it is applied to the instrument in its entirety. The FVO election is irrevocable, unless a new election date occurs.

Statement 159 establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity's election on its earnings, but it does not eliminate disclosure requirements of other accounting standards. Assets and liabilities that are measured at fair value must be displayed on the face of the balance sheet.

EFFECTIVE: Statement 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. Its provisions may be applied to an earlier period (as of the beginning of the fiscal year) only if the following conditions are met:

- The decision to adopt is made after the issuance of Statement 159 but within 120 days after the first day of the fiscal year of adoption, and no financial statements, including footnotes, for any interim period of the adoption year have yet been issued.
- Statement 157 is adopted concurrently with, or before, the adoption of Statement 159.

TRANSITION: Statement 159 requires prospective application. If an entity elects the FVO for items existing as of the date of adoption, the difference between their carrying amount and fair value should be included in a cumulative-effect adjustment to the opening balance of retained earnings.

OTHER RESOURCES: For more information about Statement 159, see Deloitte & Touche LLP's [February 22, 2007, Heads Up](#). ●

FASB Proposes to Partially Defer Fair Value Statement 157

AFFECTS: Entities required to apply Statement 157.

SUMMARY: On December 14, 2007, the FASB issued proposed FSP FAS 157-b to defer Statement 157's effective date for all nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until years beginning after November 15, 2008. Stay tuned — if approved, this proposed FSP would affect financial statements for this reporting season. The deferral does not apply to entities that have early adopted Statement 157 (before the issuance of the final FSP); these entities must continue to apply the Statement's provisions.

Examples of items for which Statement 157's fair value measurement and disclosure requirements **would be** deferred include:

- Nonfinancial assets and liabilities initially measured at fair value in a business combination, but not measured at fair value in subsequent periods.
- Reporting units measured at fair value in step 1 of the goodwill impairment test, nonfinancial assets and liabilities measured at fair value in step 2 of the goodwill impairment test, and indefinite-lived intangible assets under Statement 142.
- Long-lived asset groups measured at fair value in step 2 of the long-lived asset impairment test under Statement 144.
- Asset retirement obligations measured at fair value at initial recognition under Statement 143.
- Liabilities for exit or disposal activities measured at fair value at initial recognition under Statement 146.

Examples of items for which Statement 157's fair value measurement and disclosure requirements **would not be** deferred include:

- Items within the scope of paragraph 7 of Statement 159 that are "recognized or disclosed at fair value on a recurring basis."
- Derivatives measured at fair value under Statement 133, including nonfinancial derivatives.
- Servicing assets and liabilities measured at fair value under Statement 156.
- Loans measured for impairment under Statement 114. The exception also applies to loans for which the underlying collateral is nonfinancial.

NEXT STEPS: Comments are due by January 16, 2008. The [proposed FSP](#) is available on the FASB's Web site. ●

PCAOB Issues Alert on Auditing Fair Value Measurements

AFFECTS: Auditors with clients applying Statement 157.

SUMMARY: On December 10, 2007, the PCAOB issued Practice Alert 2 to remind auditors of certain responsibilities they have when auditing fair value measurements. The alert highlights

specific matters that are likely to increase audit risk related to the fair value of financial instruments in the current economic environment. The alert is divided into four sections:

- Auditing fair value measurements.
- Classification of fair value measurements within the fair value hierarchy established by Statement 157.
- The use of specialists in fair value measurements.
- The use of pricing services in fair value measurements.

According to Tom Ray, PCAOB chief auditor and director of professional standards, "This alert does not create any new auditing requirements. Rather, we issued the alert because we believe it will be helpful to auditors as they gear up to complete their year-end auditing work by reminding them of certain aspects of the auditing and related accounting standards that are particularly relevant at this moment."

EFFECTIVE: Immediately upon issuance. ●

SEC Issues SAB Providing Views About Written Loan Commitments Accounted for at Fair Value

AFFECTS: Entities that make commitments to fund loans and record those commitments at fair value through earnings.

SUMMARY: On November 5, 2007, the SEC issued SAB 109, which supersedes SAB 105. In a manner consistent with Statements 156 and 159, SAB 109 requires a company to include expected net future cash flows related to the associated servicing of the loan in the measurement of its written loan commitments that are accounted for at fair value through earnings. SAB 105 had stated that this treatment was inappropriate. SAB 109 reaffirms the SEC staff's view that internally developed intangible assets should not be included in the fair value of a derivative loan commitment and extends this view to all written loan commitments accounted for at fair value through earnings.

EFFECTIVE: The new guidance should be applied prospectively to commitments accounted for at fair value that are issued or modified in fiscal quarters beginning after December 15, 2007. ●

SEC Updates Guidance on Fair Value Option for Financial Instruments

AFFECTS: Public entities.

SUMMARY: At the [June 14, 2007, EITF meeting](#), the SEC updated EITF Topic D-98 to reflect necessary modifications as a result of the issuance of Statement 159. The Statement permits an issuer to elect to carry certain financial assets and liabilities at fair value through earnings, but prohibits an issuer from electing the FVO for financial instruments that are, in whole or in part, classified as a component of shareholders' equity. The SEC previously accepted liability classification for financial instruments (or host contracts) that meet the conditions for temporary equity classification under ASR 268 (FRR Section 211) and Topic D-98. To eliminate any potential inconsistency between the scope of Statement 159 and this previously accepted practice, Topic D-98 indicates that the SEC staff will no longer accept liability classification for financial instruments that meet the conditions for temporary equity classification under ASR 268 and Topic D-98. The

staff's position is that these financial instruments must be classified on the balance sheet between captions for liabilities and shareholders' equity and that these financial instruments are not eligible for the FVO.

EFFECTIVE: The SEC staff's position should be applied either (1) prospectively, for all affected financial instruments (or host contracts) that are entered into, modified, or otherwise subject to a remeasurement (new basis) event, beginning in the registrant's first fiscal quarter beginning after September 15, 2007, or (2) retrospectively, for financial reporting periods that ended before the date of initial adoption of the position, provided that Statement 154 is followed. Earlier adoption is allowed; however, previously issued financial statements should not be retrospectively adjusted. Registrants that choose prospective application cannot apply the FVO to those instruments (or hosts) upon adoption of Statement 159. ●

SEC Expresses Concerns About Strategies Associated With Adoption of Statement 159; CAQ Issues Adoption Guidance

AFFECTS: Entities adopting Statement 159.

SUMMARY: In a meeting with the large accounting firms, the SEC expressed concerns about the financial reporting of certain strategies associated with the adoption of Statement 159, which permits entities to irrevocably elect to carry almost any financial instrument at fair value.

The SEC staff has advised that if, in conjunction with the adoption of Statement 159, an entity plans to employ a sale or extinguishment strategy, the entity should examine whether its accounting is consistent with the objectives and spirit of Statement 159; otherwise, the SEC may question the entity's financial reporting. For instance, some strategies may raise questions about whether the purpose of electing the FVO is to avoid recognizing unrealized losses in income rather than to measure financial assets or financial liabilities at fair value in future periods. The staff also stressed that if the accounting for a sale or extinguishment strategy is appropriate, an entity should make disclosures that are sufficiently transparent to users.

In addition, the CAQ has issued an alert warning auditors to exercise appropriate professional skepticism in the event an entity adopts Statement 159 in a manner contrary to its principles and objectives. The alert provides an example of an entity electing the FVO for underwater available-for-sale and held-to-maturity investment securities and certain financial liabilities through a charge to retained earnings. The entity then disposes of the investments, settles the liabilities, and does not elect the FVO for newly acquired investments or issued liabilities. Going forward, the entity thus appears to have little or no intent to use the FVO, which contradicts the principles and objectives of Statement 159.

If an entity proposes to elect the FVO solely to achieve an accounting result contrary to the principles and objectives of Statement 159, the auditor should conclude that the entity's proposed accounting is a departure from GAAP. Entities should provide clear and transparent disclosures for why they elected the FVO for certain financial assets and financial liabilities but not other similar items.

OTHER RESOURCES: For more information about (1) certain investment strategies associated with the adoption of Statement 159, (2) the SEC's concerns, and (3) the CAQ Alert, see Deloitte & Touche LLP's [April 4, 2007](#), [April 13, 2007](#), and [April 18, 2007, Accounting Alerts](#), respectively. ●

Credit Market Impact on Financial Reporting

This year's turmoil in the credit markets has led the CAQ to issue guidance on key accounting issues. Although this guidance contains no new GAAP, the white papers conveniently summarize relevant existing GAAP.

In addition, the SEC has been contacting many companies about its expectations regarding disclosures in this year's Form 10-K and Form 20-F filings. Information about these expectations is contained in an [illustrative letter](#) on the SEC's Web site.

SEC Issues Disclosure Guidance for Off-Balance-Sheet Investments

AFFECTS: Public entities with off-balance-sheet investments.

SUMMARY: On December 11, 2007, the SEC's Division of Corporation Finance, triggered by the current turbulent conditions in the credit markets, published an illustrative letter based on letters it sent to public companies that have investments in unconsolidated structured investment vehicles, conduits, or collateralized debt obligations. The SEC issued this letter to help companies prepare disclosures in their Form 10-K and Form 20-F filings.

The letter contains a number of suggestions on how companies can enhance disclosures about off-balance-sheet investments when preparing their MD&A. The letter suggests that if a company has collateralized debt obligations or structured investment vehicles, it should consider disclosing the following:

- Information about the assets held, including categories, ratings, weighted-average life, and any material write-downs or downgrades.
- Forms of funding and the weighted-average life of the funding held.
- Any material difficulty the company has experienced in issuing its financing.
- Detailed information about the company's obligations to, and transactions with, the off-balance-sheet entity.
- The effect of potential losses or consolidation of the off-balance-sheet entity on the company's debt covenants, capital ratios, credit ratings, and dividends.
- If accounting for consolidation and variable interest entities is considered a critical accounting policy, the company should consider disclosing:
 - The triggering events that would require consolidation of the off-balance-sheet entities.
 - The likelihood that consolidation of the off-balance-sheet entities would occur.
 - The company's process for monitoring reconsideration events (e.g., triggers for reconsideration, frequency of review).
 - Whether the company is the primary beneficiary.

The letter also **reminds** companies about the Item 303 requirement to disclose "any known trends or uncertainties that you may reasonably expect to have a material favorable or unfavorable impact on your income from operations, liquidity and capital resources."

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [September 27, 2007](#), and [October 3, 2007, Financial Reporting Alerts](#). ●

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

AFFECTS: All entities.

SUMMARY: On October 3, 2007, the 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 the staff of the SEC, FASB, and PCAOB, as well as 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. ●

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. Statement 140's requirements apply to on-balance-sheet versus off-balance-sheet recording of securitized assets. Generally, transferred assets should be recorded off-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. In a July 24, 2007, letter, 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 modification activities permitted if default actually occurred. ●

Business Combinations

FASB Revises Business Combination and Noncontrolling Interests Accounting

AFFECTS: All entities.

SUMMARY: Statements 141 and 142, issued back in 2001, marked just the first phase of a multiphase project to reconsider the accounting for business combinations. That phase not only resulted in the elimination of the pooling of interest method of accounting and the amortization of goodwill, but also carried forward without reconsideration much of the already established guidance on purchase accounting.

The FASB recently completed the second phase of this project, to date the most significant convergence effort with the IASB, and issued the following two accounting standards:

- Statement No. 141(R), *Business Combinations*.
- Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51.

These statements dramatically change the way companies account for business combinations and noncontrolling interests (*minority interests* in current GAAP). Compared with their predecessors, Statements 141(R) and 160 will require:

- More assets acquired and liabilities assumed to be measured at fair value as of the acquisition date.
- Liabilities related to contingent consideration to be remeasured at fair value in each subsequent reporting period.
- An acquirer in preacquisition periods to expense all acquisition-related costs (e.g., deal fees for attorneys, accountants, investment bankers).
- Noncontrolling interests in subsidiaries initially to be measured at fair value and classified as a separate component of equity.

Statements 141(R) and 160 continue the FASB's push toward more fair value in financial statements. Underlying Statement 141(R) is the fundamental principle that an acquirer should measure almost all assets acquired and liabilities assumed at fair value as of the acquisition date.

The FASB and IASB undertook this project seeking to converge their guidance on accounting for business combinations and noncontrolling interests (the IASB is expected to issue IFRS 3 (revised) and IAS 27 (revised) shortly); however, this project was not a complete success. Ultimately, the two boards were unable to reach mutual conclusions in several key areas, including the following:

- The IASB allows entities to record, on a transaction-by-transaction basis, noncontrolling interests at **either** fair value (in accordance with Statement 141(R)) **or** at the acquirer's proportionate share of the fair value of the acquirer's net identifiable assets (i.e., no goodwill is recorded for the noncontrolling interests).
- Under IFRS 3 (revised), the acquirer recognizes a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably. In contrast, Statement 141(R) defines

a recognition threshold for noncontractual contingencies (i.e., whether it is more likely than not that such a contingency meets the definition of an asset or liability).

- Statements 141(R) and 160 are effective for fiscal years beginning on or after December 15, 2008, while IFRS 3 (revised) and IAS 27 (revised) are effective for annual periods beginning on or after July 1, 2009.
- The IASB permits early adoption while the FASB does not.

EFFECTIVE:

Statements 141(R) and 160 should both be applied prospectively (with one important exception for income taxes — see Editor's Note below) for fiscal years beginning on or after December 15, 2008. However, Statement 160 requires entities to apply the presentation and disclosure requirements retrospectively (e.g., by reclassifying noncontrolling interests to appear in equity) to comparative financial statements, if presented. Both standards prohibit early adoption.

Editor's Note: Statement 141(R) requires that any adjustments to an acquired entity's deferred tax asset and liability balances that occur after the measurement period be recorded as a component of income tax expense. Under the transition provisions of Statement 141(R), the new requirement applies to all business combinations, regardless of the consummation date. In other words, this requirement is the one transition provision that could affect future accounting for business combinations consummated before Statement 141(R)'s effective date.

OTHER RESOURCES: For more information about the two new standards, see Deloitte & Touche LLP's [December 12, 2007, Heads Up](#) and [December 17, 2007, Dbriefs](#). ●

Employee and Director Compensation and Benefits

Many of the articles in this section address implementation issues related to new accounting standards, tax law changes, or reporting requirements. Companies have been experiencing difficulties (some of which are highlighted below) in adopting Statement 158.

Companies preparing executive compensation disclosures should keep in mind that the SEC has been providing feedback about the lack of analysis accompanying the compensation information.

Reminders: Adoption of Statement 158

AFFECTS: All entities.

SUMMARY: **Entities Must Measure and Record Changes in Any Additional Minimum Liability Before Adopting Statement 158**

Statement 158's recognition provision is unique in requiring that an accounting change be adopted at the end of a fiscal year, instead of as of the beginning of a fiscal year. An entity must first apply Statements 87 and 106 for the fiscal year before applying the amendments resulting from Statement 158.

For a pension plan, this means that an entity must first measure and record changes to an additional minimum liability (if one is required) through comprehensive income resulting from the remeasurement as of the measurement date used for current year-end reporting. An entity should apply the following two-step approach to adopting the recognition provisions of Statement 158 as of the end of its fiscal year (as required by paragraph 16 of Statement 158):

1. Follow the provisions of paragraphs 35–38 of Statement 87 (prior to amendment by Statement 158) to determine prepaid or accrued pension cost (including changes to the additional minimum liability, if applicable) resulting from the remeasurement as of the measurement date the entity used for current year-end reporting.
2. Apply Statement 158’s recognition provisions to fully recognize the funded status of the defined benefit pension plan.

For additional information, see Deloitte & Touche LLP’s [February 8, 2007, Accounting Alert](#).

Error Made by Companies in Adopting Statement 158’s Recognition Provisions

The recognition provisions of Statement 158 require companies to record any previously unrecognized gains or losses, prior service costs or credits, and transition assets or obligations (the “Statement 158 transition adjustment”) as a direct adjustment to the ending balance of accumulated other comprehensive income (AOCI) and **not** as a component of comprehensive income for the year of adoption. This approach is consistent with the principle in Statement 154 that **cumulative effects related** to a change in accounting be recorded directly in equity and not in a statement of operations.

In reviewing the financial statements of many companies that adopted Statement 158 in 2006, we found that several included the Statement 158 transition adjustment as part of comprehensive income for 2006 rather than as a direct adjustment to AOCI as of the end of 2006. Any Statement 158 transition adjustment that was recorded as a component of comprehensive income should be considered an error. Companies that conclude they have made such an error should refer to the additional guidance in Deloitte & Touche LLP’s [June 7, 2007, Financial Reporting Alert](#).

Tax Impact of Medicare Part D Subsidy When Adopting Statement 158

The subsidy received under the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 is not considered taxable income to the employer for federal income tax purposes. Paragraph 19 of FSP FAS 106-2 indicates that in the periods in which the subsidy affects the employer’s accounting for the plan, the subsidy should have no effect on any plan-related temporary difference accounted for under Statement 109. Therefore, upon adoption of Statement 158, the employer should not record any deferred taxes when recognizing in AOCI the portion of unrecognized actuarial gain that is related to the subsidy provided for by the Act. For additional information, see Q&A FASB 158: 4(e)-1 in Deloitte & Touche LLP’s U.S. Accounting Manual (available on Technical Library: The Deloitte Accounting Research Tool).

Recognition of Plan Settlements and Curtailments in Connection With Adopting the Measurement Date Provisions of Statement 158

Before the adoption of Statement 158, a gain or loss¹ resulting from a plan settlement or curtailment was recognized on a lag if the entity used a measurement date that preceded the fiscal year-end. However, after adoption of the measurement date provisions of Statement 158, settlement or curtailment gains and losses will no longer be

¹ Note that for curtailments, a loss is considered to have occurred when the loss is probable and estimable, and a gain is considered to have occurred when the related employees have been terminated or the plan suspension or amendment has been adopted. See paragraph 14 of Statement 88 and paragraph 99 of Statement 106.

recognized on a lagged basis. The measurement date provisions of Statement 158 are effective for fiscal years ending after December 15, 2008.

Paragraphs 18 and 19 of Statement 158 describe two methods of transition with respect to a company's adoption of the measurement date provisions. Regardless of which method an entity elects, **gains and losses from any settlements or curtailments should be recognized in earnings as they occur, beginning with the period between the measurement date that is used for the immediately preceding fiscal year-end and the beginning of the fiscal year in which the measurement date provisions are applied.**

Example

Before the adoption of Statement 158's measurement date provisions, a calendar-year-end company uses a measurement date of September 30 to measure the funded status of its defined benefit postretirement plan. The company adopts the measurement date provisions of Statement 158 for the year ending December 31, 2008. In this case, any gains or losses realized from settlements or curtailments **occurring in the fourth quarter of 2007 and forward** are no longer recognized on a lagged basis but are recorded in earnings in the period the settlement or curtailment occurs.

Editor's Note: Some companies pay lump-sum settlements of pension benefits for the year to recently retired individuals. If the company's accounting policy is to apply settlement accounting only when these payments exceed the sum of service cost and interest cost for the year, it may be necessary to project whether the company expects to exceed that threshold.

SEC Extends the Use of the Simplified Method for Estimating an Option's Expected Term Under Certain Circumstances

AFFECTS: Entities that use the simplified method to estimate the expected term of their "plain vanilla"² share options under SAB 107 (codified as SAB Topic 14).

SUMMARY: Under Statement 123(R), the term for which an option is expected to be outstanding is a key factor in measuring its fair value and the related compensation cost. Question 6 of Section D.2 of SAB Topic 14 sets forth the "simplified" method of estimating the expected term of "plain vanilla" share options, but was due to expire on December 31, 2007. On December 21, 2007, the SEC staff issued SAB 110, which permits entities, under certain circumstances, to continue to use the simplified method. SAB 110 amends and replaces Question 6 of Section D.2 of SAB Topic 14.

There are no hard-and-fast rules in SAB 110's revisions to SAB Topic 14; a company may use the simplified method if it concludes that it is not reasonable to base its estimate of expected term on its **experience with exercising historical share options**. **Previously**, under SAB Topic 14, a company could avail itself of the simplified method's safe harbor regardless of whether the company had enough information to refine its estimate of expected term.

Further, in SAB 110, the SEC staff gives the following examples of situations in which it may be appropriate to use the simplified method:

- "A company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term due to the limited period of time its equity shares have been publicly traded.

² To meet the definition of "plain vanilla," and therefore allow an entity to use the simplified method, the entity's share options must have only the basic characteristics of a share-based payment award detailed in Section D.2 of SAB Topic 14.

- A company significantly changes the terms of its share option grants or the types of employees that receive share option grants such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term.
- A company has or expects to have significant structural changes in its business such that its historical exercise data may no longer provide a reasonable basis upon which to estimate expected term.”

The staff also acknowledged that a company may use the simplified method for some, but not all, of its employee share option grants. That is, the staff will accept the use of the simplified method for grants for which a company does not have sufficient historical exercise data. The staff also indicated that it will not object to the use of the simplified method in the periods before a company becomes public.

Finally, a company that uses the simplified method should disclose the following information in the notes to its financial statements:

- The fact that the simplified method was used.
- The reason why this method was used.
- The types of share option grants for which the simplified method was used, if it was not used for all share option grants.
- The period(s) for which the simplified method was used, if it was not used in all periods presented.

While SAB 110 does not include an expiration date for the use of the simplified method, companies should be aware that the staff believes that more detailed external information about exercise behavior will, over time, become readily available. Therefore, the staff does not expect the simplified method to be used for share option grants when more relevant detailed information becomes widely available.

EFFECTIVE: January 1, 2008.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [December 27, 2007, Financial Reporting Alert](#). ●

Tax Law Change in India Affects Accounting for Employee Share-Based Payments

AFFECTS: Companies issuing share-based payments to employees in India.

SUMMARY: In 2005, India introduced the fringe benefit tax (FBT), which requires an employer to pay taxes on certain benefits offered to employees. In May 2007, the scope of the FBT was extended to include compensation related to the exercise of employee stock options on or after April 1, 2007. The tax is based on the intrinsic value (difference between the market price and the exercise price) of the option **on the date it vests**. Although the law allows employers to unilaterally recover, directly from the employee, any FBT paid, the employer is legally obligated to pay the tax.

If an employer elects to recover the tax from the employee, the reimbursement is considered a component of the exercise price because it is directly linked to the exercise of the stock options. Further, because the employer is obligated to pay the tax and is not required to recover the tax from the employee, the FBT would not be considered a minimum tax withholding, as discussed in paragraph 35 of Statement 123(R).

Accounting for the FBT reimbursement from the employee as a component of the exercise price will affect a company's books twice. First, a company will be required to

include the expected reimbursement in its estimate of the grant-date fair value of the award. The second impact will occur when the employer actually pays the tax. At that point, the tax will be recorded as an operating expense.

If a company modifies outstanding awards to require reimbursement of the tax, this is considered a change in the terms of the awards and would be a modification under Statement 123(R).

NEXT STEPS: Companies that issue share-based payment awards to employees in India should consult with their accounting and tax professionals regarding the complexities of applying the new tax law.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [December 17, 2007, Financial Reporting Alert](#). ●

FSP Updates Illustrations and Q&As for Statements 87, 88, and 106

AFFECTS: Entities with defined benefit postretirement plans.

SUMMARY: Statement 158 amended the recognition provisions, but not the illustrations contained in the appendixes, of Statements 87, 88, and 106 to require recognition of the funded status of defined benefit postretirement plans in an employer's statement of financial position.

As a result, the FASB issued FSP FAS 158-1, which updates the illustrations in the appendixes of Statements 87, 88, and 106 for the issuance of Statement 158.

This FSP also supersedes the following FASB Special Reports, amending the questions and answers contained in them and incorporating that guidance as new appendixes to Statements 87, 88, and 106, respectively:

- "A Guide to Implementation of Statement 87 on Employers' Accounting for Pensions."
- "A Guide to Implementation of Statement 88 on Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits."
- "A Guide to Implementation of Statement 106 on Employers' Accounting for Postretirement Benefits Other Than Pensions."

The FSP does not change any provisions of Statement 158, nor does it provide additional implementation guidance.

EFFECTIVE: The amendments made by this FSP are effective as of the effective dates of Statement 158. ●

SEC Approves Use of Surrogate to Value Employee Share Options

AFFECTS: Entities issuing employee stock options.

SUMMARY: In an October 17, 2007, letter to Zions Bancorporation, SEC Chief Accountant Conrad Hewitt indicated that employee stock option appreciation rights securities (ESOARS) are sufficiently designed to meet the measurement objective of Statement 123(R). In other words, the SEC did not object to Zions's use of ESOARS as an appropriate surrogate on which a company can base the value of employee share options that it issued.

In short, companies issuing employee share options may be able to use ESOARS (or an

acceptably designed alternative) in lieu of existing valuation techniques (e.g., the Black-Scholes-Merton formula or a binomial model) to determine the grant-date fair value of an employee share option, a value that is used, in turn, to determine compensation cost. Companies may find the use of ESOARS (or ESOARS-like) instruments especially appealing if, as some predict, these market-based surrogates result in a lower, more accurate reflection of fair value than do traditional valuation models.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [October 24, 2007, Heads Up](#). ●

SEC Feedback on Executive Compensation Disclosures: “Where’s the Analysis?”

AFFECTS: Public entities.

SUMMARY: In October 2007, in a report and in speeches by SEC Chairman Christopher Cox and John W. White, director of the Division of Corporation Finance, the SEC provided additional feedback to registrants regarding executive and director compensation disclosures. The feedback followed the SEC staff’s comprehensive review of the first filings that included the revised executive and director compensation disclosures, a review that encompassed 350 public companies from a wide range of industries.

The staff observed that the purpose of the review was to evaluate companies’ compliance with the revised executive and director compensation disclosure rules and to help companies improve their disclosures.

The report comments on the following aspects of the revised executive and director compensation disclosures:

- Materiality of disclosures to investors.
- Manner of presentation, format, and clarity of the disclosures.
- Compensation Discussion and Analysis (CD&A).
- Other topics.

The SEC indicated that CD&A should focus more on analyzing material principles and on important factors influencing the registrant’s executive compensation policies and decisions. In other words, how and why did the company arrive at its policies and decisions? According to the report, “Where we ask a company to add analysis, or enhance its analysis, we don’t necessarily think that it should lengthen its disclosure.” Rather, the staff prefers more concise disclosures, in plain English with more tables and graphs.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [October 16, 2007, Heads Up](#). ●

SEC Chairman Launches Internet Tool That Allows Instant Comparison of Executive Compensation

AFFECTS: Investors, shareholders, and public companies.

SUMMARY: On December 21, 2007, SEC Chairman Christopher Cox announced the release of the Executive Compensation Reader, an online tool that facilitates the collection and comparison of executive compensation information for 500 of America’s largest public companies. The tool is part of an SEC initiative to create more transparent and comprehensive disclosures for executive compensation.

The tool uses XBRL³ to tag executive compensation data, allowing instant comparison. In praising the tool, Chairman Cox stated:

Gone are the complicated data expeditions that forced investors to hunt through financial statements, footnotes, proxy statements, and other disclosure documents to figure out how much a company pays its top executives. Through its new rules and the power of interactive data, the SEC has transformed the landscape of compensation disclosure. The result is quicker and better analysis, and better-informed shareholders.

The tool allows users to:

- View summary compensation tables and other proxy data showing an executive's annual pay or other forms of compensation.
- Compare executives' pay by company size or industry.
- Link directly to executive compensation disclosures in the proxy statements.
- Create tables or graphs to compare executive compensation data.
- Download executive compensation data into spreadsheet tools for further analysis.

OTHER RESOURCES: The [Executive Compensation Reader](#) is available on the SEC's Web site. ●

TPAs for Employee Benefit Plans Issued

AFFECTS: Employee benefit plans and their auditors.

SUMMARY: In May 2007, the AICPA issued three new TPAs on employee benefit plans.

- TIS Section 6931.08 clarifies the types of investments to which the financial statement presentation and disclosure requirements of SOP 94-4, as amended by FSP AAG INV-1 and SOP 94-4-1, apply.
- TIS Section 6931.09 clarifies that the financial statement presentation requirements of paragraph 15 of SOP 94-4 as amended by FSP AAG INV-1 and SOP 94-4-1, apply to investments in a common collective trust fund or a master trust that holds fully benefit-responsive investment contracts.
- TIS Section 6931.10 discusses the disclosure requirements of plans that directly invest in common collective trust funds or in master trusts that hold fully benefit-responsive investment contracts.

EFFECTIVE: Immediately upon issuance. ●

Financial Instruments and Derivatives

FASB Approves Two Clarifications on Applying the Shortcut Method

AFFECTS: Entities applying the shortcut method under Statement 133.

SUMMARY: At its meeting on December 20, 2007, the FASB approved the final issuance of Implementation Issue E23, which provides two clarifications on application of Statement 133's shortcut method. The clarifications amend paragraph 68 of Statement 133 to

³ XBRL stands for extensible business reporting language. On December 5, 2007, the SEC released the XBRL U.S. GAAP taxonomy for public comment.

permit the use of the shortcut method for both of the following:

- Interest rate swaps that have a nonzero fair value at inception, provided that the nonzero fair value at inception is attributable solely to a bid-ask spread.
- Hedged items that have a settlement date after the swap trade date, provided that the trade date of the asset or liability differs from its settlement date because of generally established conventions in the marketplace in which the transaction is executed.

These amendments were issued primarily to address confusion that could arise from entities' adoption of Statement 157.

In recognition of its ongoing project on accounting for hedging activities, which may ultimately eliminate the shortcut method, the Board chose not to issue final guidance on the other Statement 133 amendments proposed in the Exposure Draft of Implementation Issue E23.

EFFECTIVE: The Implementation Issue is effective for hedging relationships designated on or after January 1, 2008.

NEXT STEPS: The FASB expects to issue the final Implementation Issue in early January 2008. Affected entities should refer to the final Implementation Issue for any specific transition guidance. ●

FSP Issued on Netting for Derivative Instruments

AFFECTS: All entities.

SUMMARY: To address questions received by the FASB staff regarding Interpretation 39, the FASB issued FSP FIN 39-1.

Interpretation 39 specifies what conditions must be met for an entity to have the right to offset assets and liabilities in the balance sheet and clarifies when it is appropriate to offset amounts recognized for forward, interest rate swap, currency swap, option, and other conditional or exchange contracts. The Interpretation also permits offsetting of fair value amounts recognized for derivative contracts executed with the same counterparty under a master netting arrangement.

The FSP amends certain portions of the Interpretation by:

1. Replacing the terms "conditional contracts" and "exchange contracts" with the term "derivative instruments" as defined in Statement 133.
2. Allowing the offsetting of fair value amounts for the right to reclaim cash collateral (a receivable), or the obligation to return cash collateral (a payable), against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement.

EFFECTIVE: The FSP is effective for fiscal years beginning after November 15, 2007; early application is permitted.

TRANSITION: The effects of applying the guidance in this FSP should be recognized as a retrospective change in accounting principle for all financial statements presented. ●

FASB Issues Guidance on Securitized Interests in Prepayable Financial Assets

AFFECTS: Entities that use derivative instruments.

SUMMARY: The FASB cleared guidance on Implementation Issue B40. The guidance exempts securitized interests that contain only an embedded derivative that is tied to the prepayment risk of underlying prepayable financial assets from the scope of paragraph 13(b) of Statement 133.

The cleared guidance also states that to fall within the scope exception, a securitized interest would need to meet **both** of the following criteria:

- a. The right to accelerate the settlement of the securitized interest cannot be controlled by the investor.
- b. The securitized interest itself does not contain an embedded derivative (including an interest-rate-related derivative) for which bifurcation would be required, other than an embedded derivative that results solely from the embedded call options in the underlying financial assets.

The securitized interest would, according to the guidance, be subject to the requirements of paragraph 13(b) of Statement 133 if “it contains any other terms that affect some or all of the cash flows or the value of other exchanges required by the contract in a manner similar to a derivative instrument and those terms create an embedded derivative that requires bifurcation.”

EFFECTIVE: The guidance in Implementation Issue B40 should be applied upon adoption of Statement 155, except for criterion (b) in certain cases. Criterion (b) does not apply to securitized interests that were issued before June 30, 2007, **and** that only include embedded derivatives (other than those solely from the embedded call options in underlying financial assets) that have an extremely remote possibility of a greater than trivial fair value at any time during the instrument’s life. Statement 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement (new basis) event occurring after the beginning of an entity’s first fiscal year that begins after September 15, 2006. An entity that adopted Statement 155 before December 31, 2006, should apply the guidance in the first reporting period beginning before December 31, 2006, for which financial statements have not yet been issued.

TRANSITION: If an entity had previously adopted Statement 155 and, in doing so, had treated derivatives embedded in a securitized interest in prepayable financial assets in a manner consistent with the guidance in Implementation Issue B40, then that entity would not be required to retrospectively apply the guidance to prior periods. An entity is not permitted to change the Statement 115 classification of the instrument upon application of this guidance. However, if that entity had not treated embedded derivatives in a securitized interest in prepayable financial assets in a manner consistent with the guidance in Implementation Issue B40, then that entity should apply the guidance retrospectively to the date of adoption of Statement 155. ●

SEC Comments on Critical-Terms-Match Method for Evaluating Hedges

AFFECTS: Public companies with hedging activities.

SUMMARY: At the March 15, 2007, EITF meeting, Joseph McGrath, professional accounting fellow in the SEC’s Office of the Chief Accountant, informally announced the SEC staff’s view on the application of the critical-terms-match method for evaluating the effectiveness of widely used hedge strategies. According to Mr. McGrath, hedgers who use the critical-terms-match method should confirm the basis for their assertion that ineffectiveness

will be de minimis by making a quantitative assessment. To accomplish this assessment, registrants should:

- Revisit their existing critical-terms-match hedging relationship and confirm the reasonableness of their original assessments.
- If they have not already done so, make a quantitative assessment to determine that ineffectiveness has been de minimis.

If the results of this analysis support the reasonableness of a registrant's original conclusion that the hedging terms are "essentially matched," then the registrant should continue with its application of the critical-terms-match hedge accounting.

Mr. McGrath also discussed certain parameters for performing assessments of hedges of forecasted foreign-currency-denominated transactions in which the forecasted transactions occur over a stated period (e.g., monthly or quarterly) but the hedging instrument settles once during the period. It may be reasonable (pending the outcome of the quantitative assessment) to conclude that the terms are "essentially matched" when the hedging instrument and the hedged transactions settle within one month of each other. However, Mr. McGrath urged that when settlement is outside of a one-month window, the registrant should discuss the situation with the SEC staff.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [March 19, 2007, Heads Up](#). ●

Income Taxes

Throughout the year, the FASB and the SEC issued guidance on the adoption of, and disclosures related to, Interpretation 48. As companies prepare their first annual reports reflecting the adoption of Interpretation 48, they should pay particular attention to the SEC's expectations concerning MD&A disclosures.

Private companies: note that the FASB has issued a proposal to defer the effective date of Interpretation 48. Comments are not due back until January 18, but if approved, the deferral would affect the current reporting season.

FASB Proposes FSP to Delay Effective Date for Interpretation 48, Uncertain Tax Positions, for Private Entities

AFFECTS: Private entities.

SUMMARY: On December 19, 2007, the FASB issued proposed FSP FIN 48-b to defer the effective date of Interpretation 48 for all private entities to periods beginning after December 15, 2007. If approved, this deferral would affect financial statements for this reporting season. The Interpretation was originally effective for both public and nonpublic entities for fiscal years beginning after December 15, 2006. The deferral is in response to requests from the PCFRC to delay the effective date.

The PCFRC believes that additional guidance is needed on Interpretation 48's implications for pass-through entities, such as S corporations and partnerships. The PCFRC also expressed concerns that because of the timing of continuing professional education sessions, private-company preparers just recently became aware of Interpretation 48's implications.

Editor's Note: The FASB is still considering the definition of "private company" in the context of this deferral.

NEXT STEPS: Comments are due by January 18, 2008. The [proposed FSP](#) is available on the FASB's Web site. ●

FASB Issues FSP to Clarify Settlement of a Tax Position

AFFECTS: All entities.

SUMMARY: The FASB has issued FSP FIN 48-1, which clarifies when a tax position is considered settled under Interpretation 48.

The FSP clarifies that a tax position can be considered “effectively settled” upon completion of an examination by a taxing authority, without being legally extinguished. For tax positions considered effectively settled, an enterprise would recognize the full amount of tax benefit, even if (1) the position is not considered more likely than not to be sustained solely on the basis of its technical merits and (2) the statute of limitations remains open. Enterprises must document their analyses and conclusions in applying the provisions of the FSP.

EFFECTIVE: An entity should apply the guidance in the FSP upon initially adopting Interpretation 48. For calendar-year-end enterprises, the initial adoption date of Interpretation 48 is January 1, 2007. However, an enterprise that did not apply Interpretation 48 in a manner consistent with the FSP is required to retrospectively apply the provisions in the FSP to the date of the initial adoption of Interpretation 48.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [May 2, 2007, Heads Up](#). ●

EITF Issue No. 06-11, “Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards”

AFFECTS: Entities that pay dividends or dividend equivalents that are charged to retained earnings on employee-held, equity-classified nonvested shares; nonvested share units; or outstanding share options (“affected securities”).

SUMMARY: In a share-based payment arrangement, employees may receive dividend protection features entitling them to receive dividends either (1) during the vesting period for nonvested shares or share units or (2) until the exercise date for share options. Generally, dividend payments — including those charged to retained earnings — can be treated as deductible compensation expense for income tax purposes, resulting in a tax benefit to the employer.

At its June 14, 2007, meeting, the Task Force reached a consensus that an entity should recognize a realized tax benefit associated with the dividends on affected securities charged to retained earnings as an increase in additional paid-in capital (APIC). The amount recognized in APIC should be included in the APIC pool. When an entity's estimate of forfeitures increases or actual forfeitures exceed its estimates, the amount of tax benefits previously recognized in APIC should be reclassified into the income statement; however, the amount reclassified is limited to the APIC pool balance on the reclassification date.

EFFECTIVE: 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.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [June 2007 EITF Snapshot](#). ●

SEC Staff Provides Views on Interpretation 48

AFFECTS: Public entities.

SUMMARY: At the April 17, 2007, SEC Regulations Committee meeting, the SEC staff discussed its preliminary views on the following three questions regarding Interpretation 48.

[Question 1: Must a registrant's tabular disclosure of contractual obligations include liabilities for unrecognized tax benefits recorded under Interpretation 48?](#)

The staff indicated that a registrant should include Interpretation 48 liabilities in the contractual obligations table in its MD&A if the registrant can make reasonably reliable estimates of the period of cash settlement with the respective taxing authority. The registrant should include Interpretation 48 current liabilities in the "Less than 1 year" column of its contractual obligations table. The table should also include any noncurrent Interpretation 48 liabilities for which the registrant can reliably estimate the amount and period of related future payments. If the registrant is unable to make such an estimate, the Interpretation 48 liabilities could be excluded from the table or disclosed in an "other" column added to the table. However, a footnote to the table should disclose the amounts excluded from the table or included in an "other" column and the basis for such a decision.

[Question 2: The table of contractual obligations included in the most recent Form 10-K might have included or excluded amounts related to income tax contingencies, as determined under the registrant's previous accounting policy. In the interim period of adoption of Interpretation 48, what MD&A disclosures are required related to the table of contractual obligations?](#)

The SEC staff indicated that the following two views are acceptable:

View A: The registrant should provide a complete table if there are material differences from what was included in the Form 10-K. MD&A in the first Form 10-Q reflecting the adoption of Interpretation 48 should update the table of contractual obligations for any material amounts related to Interpretation 48 liabilities.

View B: MD&A in the first Form 10-Q reflecting the adoption of Interpretation 48 should provide narrative disclosures regarding any material effects of Interpretation 48 liabilities on the table of contractual obligations.

[Question 3: How should interest expense related to uncertain tax positions be reflected in the calculation of ratio of earnings to fixed charges?](#)

The SEC staff indicated that the computation of the ratio of earnings to fixed charges must provide a transparent disclosure of the treatment of (1) interest on Interpretation 48 liabilities and (2) other types of interest on non-third-party indebtedness. The SEC staff did not require a specific approach for interest expense on Interpretation 48 liabilities as a fixed charge; however, the staff stated that a registrant's accounting policy concerning the income statement classification of interest expense on Interpretation 48 liabilities should not dictate the registrant's method of computing the ratio of earnings to fixed charges. ●

PCAOB Issues Guidance on Tax Transactions and Tax Services

AFFECTS: Public entities and their auditors.

SUMMARY: Encouraged by the SEC to provide additional guidance on its rules on tax services and independence, the PCAOB has issued six staff Q&As on the implementation of

Rules 3522 and 3523. The Q&As provide guidance on (1) tax transactions, including confidential transactions and aggressive tax position transactions, and (2) tax services for persons in financial reporting oversight roles. ●

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

AFFECTS: Practitioners that provide Interpretation 48 services to attest clients.

SUMMARY: The AICPA's Professional Ethics Executive Committee 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 AICPA Interpretation 101-3 are met. ●

Insurance

EITF Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements"

AFFECTS: Entities that participate in collateral assignment split-dollar life insurance arrangements that extend into an employee's retirement period. These arrangements are often referred to as "key-person" life insurance.

SUMMARY: There are two common types of split-dollar life insurance arrangements: endorsement and collateral assignment. The key difference between an endorsement and a collateral assignment arrangement is who owns and controls the underlying life insurance policy — the employer (endorsement) or employee (collateral assignment). Issue 06-4 requires an employer to recognize a liability for the postretirement benefit obligation associated with an **endorsement** arrangement on the basis of the substantive nature of the agreement with the employee. At issue is (1) whether to apply the accounting model for an endorsement arrangement to a collateral assignment arrangement and (2) how to recognize and measure the asset associated with a collateral assignment arrangement.

The Task Force reached a consensus that an employer should recognize a liability for the postretirement benefit obligation associated with a collateral assignment arrangement — in accordance with Statement 106 (if deemed part of a postretirement plan) or Opinion 12 (if not part of a plan) — if, on the basis of the substantive agreement with the employee, the employer has agreed to maintain a life insurance policy during the postretirement period or to provide a death benefit.

The Task Force also reached a consensus that an employer should recognize and measure the associated asset on the basis of the terms of the collateral assignment arrangement.

EFFECTIVE: For fiscal years beginning after December 15, 2007, including interim periods within those fiscal years. Earlier application is permitted.

TRANSITION: Entities should recognize the effects as a change in accounting principle through either

(1) a cumulative-effect adjustment as of the beginning of the year of adoption or (2) retrospective application to all prior periods.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [March 2007 EITF Snapshot](#). ●

AICPA Issues TPAs on SOP 05-1

AFFECTS: Insurance enterprises and their auditors.

SUMMARY: In February 2007, the AICPA issued 11 new TPAs on SOP 05-1. This SOP provides guidance on the accounting by insurance enterprises for deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in Statement 97. The TPAs address the following topics:

- Integrated/nonintegrated contract features.
- Evaluation of significance of modification.
- Changes in investment management fees and other administrative charges.
- Definition of "reunderwriting" in SOP 05-1.
- Contract reinstatements.
- Commissions paid on an increase in insurance coverage or incremental deposits.
- Participating dividends and the interaction of guidance in SOP 05-1 and SOP 95-1.
- Premium changes to Statement 60 long-duration contracts.
- Evaluation of changes under paragraph 15(a) of SOP 05-1.
- Nature of investment return rights in paragraph 15(b) of SOP 05-1.
- Transition provisions for Statement 60 long-duration contracts under SOP 05-1.

EFFECTIVE: Immediately upon issuance.

OTHER RESOURCES: The link to these TPAs is no longer available. However, the TPAs can be ordered from the [AICPA's Web site](#). ●

Investment Companies

Early in 2007, the AICPA issued SOP 07-1 to clarify which entities are within the scope of the AICPA Audit and Accounting Guide *Investment Companies*. In response to a number of SOP-related implementation issues identified by constituents and the Board, the FASB issued a proposed FSP to indefinitely defer the effective date of SOP 07-1. A final FSP is expected to be issued shortly. The deferral would give the Board more time to resolve the implementation issues.

FASB Proposes to Indefinitely Defer SOP 07-1, Affecting Investment Company Accounting

AFFECTS: Investment companies and entities with investments in investment companies.

SUMMARY: The FASB issued proposed FSP SOP 07-1-a, which would indefinitely defer the effective

date of SOP 07-1 and prohibit the adoption of the SOP for an entity that has not early adopted the standard before the issuance of the final FSP.

OTHER RESOURCES: For further discussion, see Deloitte & Touche LLP's [October 17, 2007, Financial Reporting Alert](#). ●

SOP 07-1 for Investment Companies Issued

AFFECTS: Investment companies and entities with investments in investment companies.

SUMMARY: The AICPA issued a long-awaited SOP to clarify which entities are within the scope of the AICPA Audit and Accounting Guide *Investment Companies*. The definition of “investment company” had been unclear, which led to diversity in practice. The SOP also addresses when companies that own or have significant stakes in investment companies should and should not retain, in their financial statements, the specialized industry accounting under the Guide.

Under the SOP, the Guide’s scope includes more than just “traditional” investment companies, such as mutual funds or venture capital investment companies. Generally, companies that hold investments in equity securities, as well as other types of investments, such as commodities, securities based on indices, derivatives, and real estate, are required to evaluate whether investment company accounting is applicable.

Broadly, the SOP defines investment companies as those that:

- Are separate legal entities.
- Have the business purpose and activity of investing in multiple substantive investments.
- Invest for current income, capital appreciation, or both.
- Contain investment plans that include exit strategies.

In contrast, entities that invest for strategic operating purposes or receive benefits that are not available to unrelated third parties generally do not qualify as investment companies. The SOP provides several factors to consider in determining whether an entity meets the definition of an investment company.

Entities that meet the definition of an investment company must apply the provisions of the Guide, which require that investments be carried at fair value. That is, investments in investees that are not themselves investment companies are carried at fair value even if the investment company controls, or has significant influence over, the investee.

EFFECTIVE: For fiscal years beginning on or after December 15, 2007.

As noted above, the FASB issued a proposed FSP to indefinitely defer the SOP’s effective date.

OTHER RESOURCES: For further information about SOP 07-1, see Deloitte & Touche LLP's [June 15, 2007, Heads Up](#). ●

FSP FIN 46(R)-7 Removes Investment Companies From Scope

AFFECTS: Entities that meet the definition of an investment company under SOP 07-1.

SUMMARY: The FASB issued FSP FIN 46(R)-7 to clarify the applicability of Interpretation 46(R) to the accounting for investments by entities that apply the accounting guidance in the AICPA Audit and Accounting Guide *Investment Companies*.

Interpretation 46(R) provides an indefinite deferral for investment companies not subject to SEC Regulation S-X, Rule 6-03(c)(1), but that account for investments under the Guide. On June 11, 2007, the AICPA issued SOP 07-1, which provides guidance on determining whether an entity is within the scope of the Guide. In response, the FASB issued FSP FIN 46(R)-7, which amends Interpretation 46(R) by allowing entities to continue to be exempt from the scope of Interpretation 46(R) provided that they meet the definition of an investment company after the adoption of SOP 07-1. Entities no longer eligible for the specialized accounting in the Guide as a result of the adoption of SOP 07-1 immediately become subject to the provisions of Interpretation 46(R). ●

Internal Control

PCAOB Issues Revised Auditing Standard for Internal Controls

AFFECTS: Public entities and their auditors.

SUMMARY: To improve the efficiency and effectiveness of auditors' work on internal controls, the PCAOB has adopted Auditing Standard 5, a replacement of Auditing Standard 2. Auditing Standard 5 is principles-based and is designed to increase the likelihood of identifying material weaknesses in internal control before they result in a material misstatement. The standard also helps auditors focus on necessary internal control audit procedures.

The PCAOB and the SEC worked together to coordinate the PCAOB's issuance of the new auditing standard with the SEC's release of management guidance.

Auditing Standard 5 was designed to achieve the following four objectives:

1. *Focus the internal control audit on the most important matters* — Auditing Standard 5 clarifies the risk assessment auditors should perform on areas in which a company's internal control to prevent or detect a material misstatement has the highest risk of failure. The standard prescribes best practices for identifying material weaknesses, such as using a top-down approach in planning the internal control audit and identifying and auditing higher-risk areas by (1) determining the amount of testing necessary, (2) using the knowledge accumulated through previous years' audits, and (3) using the work of the company's personnel.
2. *Eliminate procedures that are unnecessary to achieve an effective audit* — The PCAOB examined the requirements under Auditing Standard 2 to determine whether auditors were encouraged to perform unnecessary procedures to achieve the intended benefits of an internal control audit. The new standard has eliminated the requirement for the auditor to evaluate management's evaluation process and clarified that no corresponding audit opinion is necessary. Other revisions to Auditing Standard 2 include (1) focusing multilocation audit procedures on risk rather than coverage, (2) assessing risk at the assertion level rather than at a control level, and (3) removing previous barriers to using the work of the company's personnel.
3. *Make the audit scalable to fit the size and the complexity of any company* — Auditing Standard 5 was written to give auditors information on how best to tailor audit requirements for internal controls according to an entity's size and complexity.

4. *Simplify the text of the standard* — Auditing Standard 5 is easier to read: it uses simpler terms, moves definitions and other information to appendixes, and removes repetitive information, replacing it with cross-references to other PCAOB standards, SEC rules, or laws. The standard also conforms certain terms with the SEC's new guidance for management.

The Board also adopted Rule 3525, which discusses the responsibilities of an auditor to seek preapproval from the audit committee for permitted internal-control-related nonaudit services.

EFFECTIVE: For audits of fiscal years ending on or after November 15, 2007. Earlier adoption is permitted.

TRANSITION: Auditors that elect to comply with Auditing Standard 5 before its effective date must comply simultaneously with PCAOB Rule 3525 and other PCAOB standards, as amended by the release. ●

SEC Issues Guidance on Internal Controls for Management

AFFECTS: Public entities.

SUMMARY: The SEC issued interpretive guidance to help public entities strengthen their internal control over financial reporting while reducing unnecessary compliance costs under Section 404 of the Sarbanes-Oxley Act of 2002. This interpretive guidance helps an entity's management focus on controls that most effectively protect against the risk of a material misstatement in the entity's financial statements.

The SEC also approved amendments to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, which require that companies evaluating their internal controls under the interpretive guidance must satisfy the rules' annual evaluation requirements.

The rule amendments defined the term "material weakness" as "a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis."

The requirements for an auditor's attestation report have also been revised to clarify that in evaluating management's internal controls, the auditor is not evaluating the process management has undertaken; rather, the auditor is only expressing an opinion about internal control over financial reporting.

EFFECTIVE: The interpretive guidance became effective on June 27, 2007. The adopted rule amendments became effective on August 27, 2007. ●

SEC Issues Final Rule to Define "Significant Deficiency"

AFFECTS: Public entities.

SUMMARY: The SEC 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.”

EFFECTIVE: The final rule became effective on September 10, 2007. ●

Government Agencies Issue Final Statement on Complex Structured Finance Activities

AFFECTS: Financial institutions that engage in complex structured finance transactions.

SUMMARY: On January 5, 2007, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the SEC issued a final Statement on complex structured finance activities. The Statement describes the types of internal controls and risk management procedures that should help large financial institutions identify, manage, and address the heightened legal and reputational risks that may arise from certain complex structured finance transactions.

EFFECTIVE: January 11, 2007. ●

Framework Updated for Reporting Deficiencies to Insurance Regulators

AFFECTS: Insurance entities and their auditors.

SUMMARY: Section 11 of the NAIC Model Audit Rule requires insurers to provide the department of insurance in each applicable state with a written report prepared by its accountants that describes significant deficiencies in the insurer's internal controls identified during the audit. The current NAIC Model Audit Rule is based on SAS 60. The NAIC has updated the NAIC Model Audit Rule to incorporate the new definitions of internal control deficiencies identified in SAS 112; however, the revised NAIC Model Audit Rule will not be effective until 2010.

The NAIC/AICPA Task Force and AICPA staff have issued a publication, *A Statutory Framework for Reporting Significant Deficiencies and Material Weaknesses in Internal Control to Insurance Regulators*. This publication gives auditors a suggested framework to use when internal control deficiencies are identified during a statutory financial statement audit in accordance with SAS 112. This publication provides guidance for the period prior to the 2010 NAIC Model Audit Rule effective date.

EFFECTIVE: The framework is effective on November 16, 2007. ●

Other Accounting

EITF Issue No. 07-6, “Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, *Accounting for Sales 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: At its November 29, 2007, meeting, the EITF reached a consensus that a buy-sell clause, **in and of itself**, does not constitute a prohibited form of continuing involvement that would preclude partial sale-and-profit recognition under Statement 66. However, the terms of the buy-sell clause, along with other facts and circumstances, may indicate that the seller has not transferred the usual risks and rewards of ownership and therefore has substantial continuing involvement. If the buy-sell clause is, in substance, a put, call, or other form of continuing involvement, partial sale recognition would be prohibited. The determination of whether the seller has substantial continuing involvement is a matter of judgment and requires consideration of all relevant facts and circumstances at the time the real estate is sold.

The FASB ratified Issue 07-6 at its December 12, 2007, meeting.

EFFECTIVE: Issue 07-6 should be applied prospectively to new arrangements entered into, and assessments⁴ performed, in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Early application is not permitted.

OTHER RESOURCES: For more information about Issue 07-6, see Deloitte & Touche LLP's [November 2007 EITF Snapshot](#). ●

EITF Issue No. 07-3, “Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities”

AFFECTS: Entities whose outsourced R&D activities include nonrefundable advance payments for the delivery of future goods or services.

SUMMARY: Entities that perform R&D activities on behalf of others, including manufacturing-related R&D activities, often require nonrefundable advance payments to secure the future delivery of their goods or services. The accounting for nonrefundable advance payments is diverse, with entities either (1) expensing the payments when made (or when an obligation is incurred) or (2) deferring and capitalizing the expense (e.g., prepaid R&D) until the goods are received or services are performed.

The Task Force reached a consensus that nonrefundable advance payments for future R&D activities should be capitalized and recognized as an expense as the goods are delivered or services are performed.

EFFECTIVE: For fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Earlier application is not permitted.

TRANSITION: Entities should report the effects of applying the consensus in this Issue prospectively for new contracts entered into on or after the effective date.

OTHER RESOURCES: For additional information, see Deloitte & Touche LLP's [June 2007 EITF Snapshot](#). ●

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; may also affect entities involved in the joint operation of a facility (e.g., those in the health care industry).

Issue 07-1 does not apply to a legal entity within a collaborative arrangement; however, the presence of a legal entity within a collaborative arrangement does not preclude a conclusion that a collaborative arrangement exists.

SUMMARY: At its November 29, 2007, meeting, the EITF reached a consensus on the following four

⁴ In this context, assessments can be defined as any evaluation performed pursuant to Statement 66 after the effective date of Issue 07-6 for arrangements accounted for under the deposit, profit-sharing, leasing, or financing methods for reasons other than the existence of a buy-sell clause.

issues related to the accounting for collaborative arrangements:

- **Issue 1** — A collaborative arrangement is a contractual arrangement in which the parties are (1) *active participants* to the arrangements and (2) *exposed to significant risks and rewards* that depend on the commercial success of the endeavor.
- **Issue 2** — Costs incurred and revenues generated from *transactions with third parties* (i.e., parties outside the collaborative arrangement) should be reported by the collaborators on the appropriate line item in their respective income statements, pursuant to Issue 99-19 (i.e., on the basis of whether the collaborator is a principal to the transaction). An entity should not apply the equity method of accounting under Opinion 18 for activities of a collaborative arrangement that are outside a legal entity.
- **Issue 3** — The income statement characterization of *payments between the participants to a collaborative arrangement* should be based on other authoritative literature if the payments are within the scope of such literature. Otherwise, the income statement 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.
- **Issue 4** — The collaborators should disclose, in the footnotes to financial statements in the initial period of adoption and annually thereafter, (1) the income statement classification and amounts attributable to transactions arising from collaborative arrangements between participants for each period for which an income statement is presented and (2) information regarding the nature and purpose of the collaborative arrangement, the collaborators' rights and obligations under the arrangement, and any accounting policies for the collaborative arrangement, in accordance with Opinion 22.

The FASB ratified Issue 07-1 at its December 12, 2007, meeting.

EFFECTIVE: Issue 07-1 is effective for fiscal years beginning after December 15, 2008.

TRANSITION: Issue 07-1 should be applied as a change in accounting principle through retrospective application to all periods presented for collaborative arrangements existing as of the date of adoption.

OTHER RESOURCES: For more information about Issue 07-1, see Deloitte & Touche LLP's [November 2007 EITF Snapshot](#). ●

TPAs for Not-for-Profit Organizations Issued

AFFECTS: NPOs.

SUMMARY: In August 2007, the AICPA issued three new TPAs on the reporting of fund-raising expenses for NPOs with contributions.

- TIS Section 6140.20 describes circumstances in which NPOs with contributions can have no or a minimal amount of fund-raising expenses.
- TIS Section 6140.21 addresses circumstances in which gross versus net reporting should occur when a professional fund-raiser is used by an NPO.
- TIS Section 6140.22 provides guidance on reporting the amounts charged by a fund-raising NPO that acts as an agent or intermediary for the reporting NPO.

EFFECTIVE: Immediately upon issuance. ●

Other SEC Matters

SEC Removes Reconciliation Requirement, Approves Rules for Smaller Public Companies

AFFECTS: Foreign private issuers; smaller public entities.

SUMMARY: **Reconciliation Requirement for Foreign Private Issuers Removed**

On November 15, 2007, the SEC voted to allow foreign private issuers to use IFRSs, as published by the IASB, in preparing their financial statements without reconciling to U.S. GAAP. The new rule is effective for fiscal years ending after November 15, 2007.

A calendar-year-end foreign private issuer does not have to include a reconciliation in its 2007 financial statements as long as the issuer prepares its financial statements in full compliance with the IASB version of IFRSs. The one exception to this compliance requirement concerns foreign private issuers that use the IFRS version including the European Commission's "carve-out" for IAS 39. The Commission voted to allow such issuers to use that version for a two-year period provided that they reconcile it with the IASB's version of IFRSs. After the two-year period, these issuers must either use the IASB's version of IFRSs or provide a reconciliation to U.S. GAAP.

Rules Approved for Smaller Public Companies

Also at the November 15 meeting, the SEC approved rules designed to make reporting easier for smaller public companies. The rules address the following topics:

- Regulatory relief and simplification for smaller reporting companies.
- Easing the requirements for unregistered offerings (Rules 144 and 145).
- Exemption of compensatory employee stock options from registration.

On December 11, 2007, the SEC approved two more rules to ease reporting requirements:

- *Amendments to the eligibility requirements for Forms S-3 and F-3* — Allows smaller companies to register their securities on Forms S-3 and F-3 with certain restrictions. Before the amendments, Forms S-3 and F-3 were restricted to companies with a minimum public float of \$75 million. Using Forms S-3 and F-3 to register securities will give smaller public companies more timely and efficient access to the capital markets.
- *Electronic filing and revision of Form D information* — The new rule requires electronic filing on the SEC's Web site of Form D after an initial phase-in period. The SEC's goal is to "eventually facilitate one-stop filing of both federal and state Form D notices and substantially reduce filing burdens of smaller companies." The SEC also approved amendments to Form D's information requirements.

The SEC is expected to vote on another proposal for smaller-company reporting in early 2008.

EFFECTIVE: The amendments to Forms S-3 and F-3 become effective on January 28, 2008. The phase-in period for Form D electronic filing will begin on September 15, 2008, and will become mandatory on March 16, 2009. Changes to Form D information requirements become effective on September 15, 2008.

OTHER RESOURCES: For additional discussion, see Deloitte & Touche LLP's [November 16, 2007, Heads Up](#). ●

SEC Issues Compliance and Disclosure Interpretations on Regulation S-K Items

AFFECTS: Public companies.

SUMMARY: On March 13, 2007, the SEC's Division of Corporation Finance issued compliance and disclosure interpretations on specific reporting issues, raised by constituents or the SEC staff, associated with Regulation S-K Items. The interpretations are in Q&A format and cover the following topics:

- [Item 201, "Market Price of and Dividends on the Registrant's Common Equity and Related Shareholder Matters."](#)
- [Item 402, "Executive Compensation."](#)
- [Item 403, "Security Ownership of Certain Beneficial Owners and Management."](#)
- [Item 404, "Transactions With Related Persons, Promoters and Certain Control Persons."](#)
- [Item 407, "Corporate Governance."](#)

The Division of Corporation Finance has also issued compliance and disclosure interpretations on the [Trust Indenture Act of 1939](#).

Note that on August 8, 2007, the division also issued updates to certain compliance and disclosure interpretations. The updates addressed specific reporting issues associated with Items 402 and 404 of Regulation S-K, which were raised by constituents or the SEC staff.

EFFECTIVE: Immediately upon issuance.

OTHER RESOURCES: For additional discussion about executive compensation disclosures, see Deloitte & Touche LLP's [September 7, 2007](#), and [October 16, 2007, Heads Ups](#). ●

SEC Adopts New Rules for Foreign Private Issuer Deregistration

AFFECTS: Foreign private issuers.

SUMMARY: On March 21, 2007, the SEC voted to adopt Rule 12h-6 of the Securities Exchange Act of 1934. This rule establishes a more clearly defined process as well as more appropriate benchmarks by which a foreign private issuer can terminate its Exchange Act registration and reporting obligations. A foreign private issuer can terminate its registration of securities under Section 12(g) of the Exchange Act, or its reporting obligations regarding a class of equity securities under Section 15(d) of the Exchange Act, if it meets a quantitative benchmark. This benchmark is not based on a head count of the issuer's shareholders, as are the current exit rules, but rather on the trading volume of the subject class of securities in the United States.

Under the current rules, a foreign private issuer may terminate its Exchange Act registration and reporting obligations if the class of the issuer's securities has fewer than 300 record holders who are U.S. residents. Given the increased globalization of the U.S. securities markets, it may be difficult for a foreign private issuer to accurately determine the U.S. residency of its holders under the current record holder test.

Foreign private issuers should consult the rules before deregistering, since they must meet a number of registration conditions.

EFFECTIVE: June 4, 2007. ●

SEC Adopts Revisions to *EDGAR Filer Manual*

- AFFECTS:** 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 filers must follow to ensure acceptance and processing of electronic filings.
- EFFECTIVE:** August 20, 2007. ●

SEC 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 used IFRSs in preparing their financial statements. 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:
 - Revenue recognition.
 - Intangible assets and goodwill.
 - Impairment of long-lived assets.
 - Leases.
 - Contingent liabilities.
 - 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 Establishes Advisory Committee to Reduce Complexity of U.S. Financial Reporting System

- AFFECTS:** Public entities.
- SUMMARY:** The SEC announced the establishment of the SEC Advisory Committee on Improvements to Financial Reporting. This committee will investigate the U.S financial reporting system

to form recommendations on how to make financial reports clearer and more beneficial to investors, reduce unnecessary costs, and make better use of available technology advances.

The Advisory Committee will also focus on the following:

- The current approach to setting financial accounting and reporting standards.
- The current process of regulating registrants' and financial professionals' compliance with accounting and reporting standards.
- The current systems for delivering financial information to investors and accessing that information.
- Other environmental factors that drive unnecessary complexity and reduce transparency to investors.
- Whether any current accounting and reporting standards impose costs that outweigh the resulting benefits.
- Whether this cost-benefit analysis is likely to be affected by the increasing use of international accounting standards.

The FASB and PCAOB were present during the announcement and voiced support for the Advisory Committee.

The Advisory Committee is expected to report its recommendations to the SEC by August 2008. ●

Other Auditing

AICPA Issues Industry Audit Risk Alerts

AFFECTS: Auditors and audit committees of depository institutions, construction contractors, manufacturers, real estate entities, common interest realty association entities, broker-dealers in securities, insurance entities, and health care entities; accountants performing compilation and review engagements.

SUMMARY: In March 2007, the AICPA issued new industry-specific Audit Risk Alerts. These new Alerts cover developments in the following industries:

- [Banks, credit unions, and other lenders and depository institutions.](#)
- [Construction contractors.](#)
- [Manufacturing.](#)
- [Real estate.](#)
- [Common interest realty associations.](#)
- [Broker-dealers in securities.](#)
- [Insurance.](#)
- [Health care.](#)

The alerts give financial statement auditors and audit committees an overview of recent

economic, industry, technical, regulatory, and professional developments that may affect the audits they perform.

The AICPA has also issued an Audit Risk Alert for [compilation and review engagements](#), which updates recent practice issues and professional standards that affect compilation and review engagements.

EFFECTIVE: Immediately upon issuance. ●

AICPA Defines Professional Requirements for Accounting and Review Services

AFFECTS: Practitioners who provide compilation and review services.

SUMMARY: On December 18, 2007, the ARSC⁵ issued SSARS 16, which defines professional requirements for practitioners that provide compilation and review services. The objectives of the standard are to clarify accounting and review standards and make them more consistent with auditing standards.

EFFECTIVE: Immediately upon issuance. ●

AICPA Issues SSARS on Special-Purpose Financial Statements and Report Modifications for Compilations and Reviews

AFFECTS: Accountants who perform compilation or review services.

SUMMARY: In February 2007, the ARSC issued SSARS Interpretations 28 and 29 to AR Section 100. Interpretation 28 provides guidance on, and examples illustrating, reports on special-purpose financial statements. Interpretation 29 provides guidance on modifying a compilation or review report as a result of a material uncertainty or an entity's ability to continue as a going concern.

EFFECTIVE: Immediately upon issuance. ●

AICPA Issues Auditing Interpretation on Applicability of SAS 112 to A-133 Audits

AFFECTS: State and local governments, as well as NPOs, and their auditors.

SUMMARY: In July 2007, the AICPA issued a new auditing Interpretation clarifying the applicability of SAS 112 to OMB Circular A-133 audits, also known as "single audits." In response to recently amended OMB guidance, 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.

EFFECTIVE: Immediately upon issuance. ●

AICPA Issues Practice Alert on Dating of Auditor's Report

AFFECTS: Auditors of nonissuers.

SUMMARY: In February 2007, the AICPA's Professional Issues Task Force issued a Practice Alert that contains guidance on applying certain provisions of SAS 103, including the dating of

⁵ The ARSC is the senior technical committee of the AICPA designated to issue enforceable standards in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity.

an auditor's report. In December 2005, the ASB issued SAS 103, which amended AU Section 530. SAS 103 requires that "the auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion." ●

ASB Issues SAS on the Auditor's Communication With Those Charged With Governance

AFFECTS: Entities and their auditors.

SUMMARY: The ASB issued SAS 114, which supersedes SAS 61. SAS 114 defines the terms "those charged with governance" and "management," and describes the role of communication and with whom communication is required. The SAS also outlines matters to be communicated, including the auditor's responsibilities under GAAS; details about the form, timing, and adequacy of the communication process; and related documentation requirements.

EFFECTIVE: For audits of financial statements for periods beginning on or after December 15, 2006. Earlier application is permitted. ●

Auditing TPAs Issued Related to Management Representation Letters and Permanent Files

AFFECTS: Auditors.

SUMMARY: In June 2007, the AICPA issued two new TPAs for auditors of public entities: TIS Section 9100.06 and TIS Section 8350.01.

TIS Section 9100.06 states that the auditor does not need to possess the management representation letter on the date of the auditor's report. Management will, however, need to have reviewed the final letter and to have orally confirmed its intention to sign it. Before releasing the auditor's report, the auditor must have received the signed letter.

TIS Section 8350.01 states that SAS 103's provisions on audit documentation apply to current-year documentation in the permanent file if that documentation supports the current-year audit report.

EFFECTIVE: Immediately upon issuance. ●

ASB Issues Interpretation on Confirmation Process

AFFECTS: Auditors.

SUMMARY: In March 2007, the ASB issued an interpretation of AU Section 330. The interpretation focuses on the use of electronic confirmations in an audit engagement, stating that a properly controlled electronic confirmation can be considered reliable audit evidence. However, electronic confirmations pose risks similar to those of paper confirmations, such as interception, alteration, and fraud. When using electronic confirmations, the auditor should consider the risk that (1) the confirmation response might not be from the proper source, (2) the respondent might not be authorized to respond, and (3) the integrity of the transmission might be compromised. ●

PCAOB Provides Observations on Auditors' Responsibilities With Respect to Fraud

AFFECTS: Auditors of public companies.

SUMMARY: In January, the PCAOB issued a report focusing on the implementation of PCAOB interim standards regarding auditors' responsibilities concerning fraud.

This report does not change, or propose to change, any existing PCAOB standard, nor is the PCAOB providing any new interpretation. Rather, the report identifies observations made during the PCAOB inspection process and is intended to help auditors focus on their responsibilities concerning fraud.

The report covers the following topics:

- Auditor's overall approach to the detection of financial fraud.
- Required brainstorming sessions and fraud-related inquiries.
- Auditor's response to fraud risk factors.
- Financial statement misstatements.
- Risk of management's override of controls.
- Other areas of fraud detection that could be improved. ●

AICPA Issues New Standard for Valuation Services

AFFECTS: AICPA members performing valuation services, including an engagement during which the value of a business, business interest, security, or intangible asset is estimated for purposes such as sales transactions, financing, taxation, financial reporting, mergers and acquisitions, management and financial planning, and litigation.

SUMMARY: The standard provides guidelines on developing estimates of value and reporting on the results, and is divided into the following sections:

- *Introduction and Scope.*
- *Overall Engagement Considerations* — This section discusses items that valuation analysts should consider before taking on engagements for valuation services.

Key considerations include:

Professional competence.

Nature and risks involved in valuation services.

The client's expectations and understanding.

Objectivity.

Independence.

- *Scope Restrictions or Limitations.*
- *Development* — This section describes the two main engagement types: valuation engagements and calculation engagements. In a valuation engagement, the valuation analyst applies an appropriate valuation method, determined by the analyst, to estimate a conclusion of value. In a calculation engagement, the valuation analyst and client agree on the valuation method to

use, resulting in a calculated value.

- *The Valuation Report* — This section describes the types of reports an analyst may use to communicate results of the two engagement types.

EFFECTIVE: For engagements accepted on or after January 1, 2008. Early adoption is encouraged.



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

AFFECTS: Auditors of public entities.

SUMMARY: In August 2007, the 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.
- Audit committee preapproval.
- Parent-company auditors' independence requirements for entities applying Interpretation 46(R).

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

PCAOB Approves Amendments to Inspection Frequency for Firms That Do Not Regularly Issue Audit Reports

AFFECTS: Registered public accounting firms that do not issue audit reports regularly.

SUMMARY: On October 16, 2007, the PCAOB adopted amendments to Rule 4003 that reduce the Board's frequency of inspecting registered public accounting firms that do not regularly issue audit reports. These amendments were approved by the SEC. ●

PCAOB Issues Inspection Report on Small U.S. Audit Firms

AFFECTS: U.S. audit firms that audit 100 or fewer public entities.

SUMMARY: On October 22, 2007, the PCAOB issued a report on its inspections of U.S. audit firms that audited 100 or fewer public companies. The inspections were conducted from 2004 to 2006 and included the issuance of 439 reports based on 497 inspections. The report identifies audit areas in which the Board observed significant deficiencies. The report's main objectives are to help reviewed firms improve their performance and to inform the public about the inspection findings. ●

FASAB/GASB

FASAB Issues Concepts Statement Defining Financial Statement Elements and Recognition Criteria

AFFECTS: Those who use, prepare, and audit financial statements of federal entities.

SUMMARY: On December 26, 2007, the FASAB issued Concepts Statement 5, the fifth in a series of concepts statements intended to establish “objectives and fundamentals” for federal financial accounting and reporting standards. The concepts statement defines objectives and fundamentals as follows:

- *Objectives* — Identify the goals and purposes of financial reporting standards.
- *Fundamentals* — The underlying concepts that guide the selection, recognition, and measurement of transactions and events to be accounted for.

Concepts Statement 5 defines the following five elements of a federal government’s accrual-basis financial statements:

- An **asset** is a resource that embodies economic benefits or services that the federal government controls.
- A **liability** is a present obligation of the federal government to provide assets or services to another entity at a determinable date, when a specified event occurs, or on demand.
- **Net position** or its equivalent, net assets, is the arithmetic difference between the total assets and total liabilities recognized in the federal government’s or a component entity’s balance sheet. Net position may be positive (assets greater than liabilities) or negative (assets less than liabilities).
- A **revenue** is an inflow of or other increase in assets, a decrease in liabilities, or a combination of both that results in an increase in the government’s net position during the reporting period.
- An **expense** is an outflow of or other decrease in assets, an increase in liabilities, or a combination of both that results in a decrease in the government’s net position during the reporting period.

The Concepts Statement also establishes that to be recognized in the federal government entity’s financial statements, transactions or events:

- Must meet the definition of an element.
- Must be measurable with “reasonable certainty” or must be “reasonably estimable.”

If a transaction or event satisfies the definition of an element but is not measurable, it should be considered for disclosure in the financial statement notes or within the supplemental information accompanying the financial statements.

EFFECTIVE: Immediately upon issuance. ●

FASAB Issues Guidance on Classifying, Valuing, and Reporting Items Held for Remanufacture

AFFECTS: Those who use, prepare, and audit federal financial statements.

SUMMARY: On March 16, 2007, the FASAB issued an Interpretation that provides guidance on items that are held for remanufacture and how they should be classified, valued, and reported under existing federal financial accounting standards. The Interpretation does not apply to stand-alone or independently functioning items, such as entire airplanes, ships, tanks, or intercontinental ballistic missiles.

The Interpretation also provides separate recognition and measurement guidance regarding items held for remanufacture that are intended for sale and those intended for internal use.

EFFECTIVE: Immediately upon issuance. ●

GASB Issues New Standard on Land and Other Real Estate Held as Investments by Endowments

AFFECTS: Governmental entities with endowments that hold land and other real estate investments.

SUMMARY: On November 21, 2007, the GASB issued Statement 52, which requires governmental entities with endowments to measure at fair value their land and other real estate investments held by the endowments.

EFFECTIVE: For periods beginning after June 15, 2008. Early adoption is encouraged. ●

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, 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.

GASB Statement 51 defines an intangible asset as a nonfinancial asset that lacks physical substance and that has a 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 it 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.

EFFECTIVE: For periods beginning after June 15, 2009. ●

GASB Issues New Standard on Pension Disclosures

- AFFECTS:** State and local governmental entities and their auditors.
- SUMMARY:** In May 2007, the GASB issued Statement 50, which amends Statements 25 and 27, to align pension disclosure requirements with the disclosure requirements for retiree health insurance and other postemployment benefits.
- GASB Statement 50 requires state and local governmental entities to do the following:
- Disclose the funded status of a pension plan as of the most recent actuarial valuation date in the notes to the financial statements.
 - Use the entry age actuarial cost method to disclose a schedule of funding progress within required supplementary information (RSI) “if the aggregate actuarial cost method is used to determine the annual required contribution.”
 - Link “the funded status disclosure in the notes to the financial statements to the required schedule of funding progress” in the RSI.
- EFFECTIVE:** The provisions of Statement 50 are generally effective for periods beginning after June 15, 2007, with early adoption encouraged.
- TRANSITION:** For governments using the aggregate actuarial cost method, the provisions of Statement 50 related to the method are effective for financial statements, and for RSI about actuarial valuations, as of June 15, 2007, or later. ●

GASB Issues Concepts Statement on Elements of Financial Statements

- AFFECTS:** All state and local governmental entities and their auditors.
- SUMMARY:** In June 2007, the GASB issued Concepts Statement 4, which defines the basic elements of state and local government financial statements.
- EFFECTIVE:** Immediately upon issuance. ●

OMB Issues 2007 A-133 Compliance Supplement

- AFFECTS:** Auditors of state and local governments and of NPOs.
- SUMMARY:** On May 17, 2007, the U.S. Government’s OMB issued an updated Circular A-133 Compliance Supplement for 2007.
- The Compliance Supplement helps auditors perform Circular A-133 audits, including audits of state and local governments and of NPOs. Annually, the OMB works with federal agencies to update the supplement. Updates are made to the program objectives, procedures, and key compliance requirements that the federal government expects to be considered in single audits of federal programs. ●

International

IASB Issues Revised Standard on Presentation of Financial Statements

AFFECTS: Entities that report under IFRSs.

SUMMARY: On September 6, 2007, the IASB issued a revised version of IAS 1. The new version requires an entity to:

- Present all nonowner changes in equity (i.e., comprehensive income) either in the statement of comprehensive income or in both the income statement and the 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) 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 taxes 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.

EFFECTIVE: For annual periods beginning on or after January 1, 2009. Early adoption is permitted.



IASB Issues Revised Standard on Borrowing Costs

AFFECTS: Entities that report under IFRSs.

SUMMARY: On March 23, 2007, the IASB issued a revision of IAS 23. Under the revised standard, entities will no longer have the option to immediately recognize, as an expense, borrowing costs related to the acquisition, construction, or production of qualifying assets that require a substantial period to be placed in service or be ready for sale. These costs must now be capitalized as part of the cost of the asset. Benefits of this amendment include the following: (1) an asset's costs will include all costs incurred in preparing the asset for use or sale, (2) comparability will be increased in financial reporting as a result of the removal of an option for which two accounting treatments were available, and (3) consistency will be achieved with the objectives of the IASB's convergence project to eliminate major differences between IFRSs and U.S. GAAP.

EFFECTIVE: For annual periods beginning on or after January 1, 2009. Early adoption is permitted.



IFRIC Issues Interpretation on Customer Loyalty Programs

AFFECTS: Entities that report under IFRSs.

SUMMARY: The IFRIC issued an Interpretation on customer loyalty programs. Customer loyalty programs are offered to a customer as an incentive to buy goods and services. These generally take the form of an award credit (e.g., “points” or travel miles) that the customer may redeem in the future for free goods or services.

International standards previously lacked clear guidance on accounting for these award credits. This Interpretation considers these award credits to be a separately identifiable component of the initial sales transaction. Accordingly, a portion of the proceeds of the initial sale should be allocated to the award credits and deferred as a liability. A vendor would then recognize these proceeds as revenue once it fulfills its obligations by either (1) supplying the free or discounted goods or services itself or (2) engaging a third party to do so.

Other key provisions of the Interpretation are:

- *Measurement of the awards* — The consideration allocation to the award credit is based on its fair value. If the fair value is not directly observable, it must be estimated.
- *Measurement of revenue if a third party supplies the awards* — The seller should consider whether it collected the consideration for the award credits for itself (i.e., as a principal) or on behalf of the third party (i.e., as an agent for the other party). If the seller is operating as an agent for the third party, it should measure and recognize the revenue net, calculated as the difference between the cash allocated to the award credit and the amount payable to the third party for supplying the award.
- *Account for instances in which the cost of meeting the obligation to supply the award exceeds the consideration received* — The entity has an onerous contract for which a liability would be recognized under IAS 37.

EFFECTIVE: For annual periods beginning on or after July 1, 2008. Earlier application is permitted and, if elected, should be disclosed. ●

IFRIC Issues Interpretation on Measurement of Defined Benefit Assets

AFFECTS: Entities with benefit plans that apply IFRSs.

SUMMARY: On July 5, 2007, the IFRIC issued an Interpretation of IAS 19. 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. Minimum funding requirements may restrict 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.

EFFECTIVE:

For fiscal years beginning on or after January 1, 2008; earlier application is permitted.



Appendix A: SEC Disclosure Guidance — Recently Issued Standards

SEC Staff Accounting Bulletin Topic 11.M indicates that filings that include financial statements 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 disclosures, generally accepted auditing standards specifically address the need for the auditor to consider the adequacy of the disclosure of impending changes in accounting principles if (1) 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 (2) 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, that disclosure in the financial statements should also be considered when 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 used 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 not reasonably estimable, in which 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 B: Abbreviations

AcSEC	Accounting Standards Executive Committee	GAAS	generally accepted auditing standards
AICPA	American Institute of Certified Public Accountants	GASB	Governmental Accounting Standards Board
AOCI	accumulated other comprehensive income	IAS	International Accounting Standard
APB	Accounting Principles Board	IASB	International Accounting Standards Board
APIC	additional paid-in capital	IFRIC	International Financial Reporting Interpretations Committee
ARB	Accounting Research Bulletin	IFRS	International Financial Reporting Standard
ARSC	Accounting and Review Services Committee	MD&A	Management's Discussion and Analysis
ASB	Auditing Standards Board	NAIC	National Association of Insurance Commissioners
ASR	Accounting Series Release	NPO	not-for-profit organization
CAQ	Center for Audit Quality	OCA	Office of the Chief Accountant
CD&A	Compensation Discussion and Analysis	OMB	Office of Management and Budget
EDGAR	Electronic Data Gathering, Analysis, and Retrieval	PCAOB	Public Company Accounting Oversight Board
EITF	Emerging Issues Task Force	PCFRC	Private Company Financial Reporting Committee
ESOARS	employee stock option appreciation rights securities	R&D	research and development
FAS	Financial Accounting Standard	RSI	required supplementary information
FASAB	Federal Accounting Standards Advisory Board	SAB	Staff Accounting Bulletin
FASB	Financial Accounting Standards Board	SAS	Statement on Auditing Standards
FBT	fringe benefit tax	SEC	Securities and Exchange Commission
FIN	FASB Interpretation	SOP	Statement of Position
FSP	FASB Staff Position	SSARS	Statement on Standards for Accounting and Review Services
FVO	fair value option	TIS	Technical Information Service
GAAP	generally accepted accounting principles	TPA	Technical Practice Aid

Appendix C: Glossary of Standards

FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51

FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* — including an amendment of FASB Statement No. 115

FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R)

FASB Statement No. 157, *Fair Value Measurements*

FASB Statement No. 156, *Accounting for Servicing of Financial Assets* — an amendment of FASB Statement No. 140

FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* — an amendment of FASB Statements No. 133 and 140

FASB Statement No. 154, *Accounting Changes and Error Corrections* — a replacement of APB Opinion No. 20 and FASB Statement No. 3

FASB Statement No. 146, *Accounting for Costs Associated With Exit or Disposal Activities*

FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*

FASB Statement No. 143, *Accounting for Asset Retirement Obligations*

FASB Statement No. 142, *Goodwill and Other Intangible Assets*

FASB Statement No. 141(R), *Business Combinations*

FASB Statement No. 141, *Business Combinations*

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

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

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

FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*

FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan* — an amendment of FASB Statements No. 5 and 15

FASB Statement No. 107, *Disclosures About Fair Value of Financial Instruments*

FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*

FASB Statement No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses From the Sale of Investments*

FASB Statement No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*

FASB Statement No. 87, *Employers' Accounting for Pensions*

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

FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*

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

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

FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* — an interpretation of APB Opinion No. 10 and FASB Statement No. 105

FASB Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"

FASB Staff Position No. 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"

FASB Staff Position No. FIN 48-1, "Definition of *Settlement* in FASB Interpretation No. 48"

FASB Staff Position No. FIN 46(R)-7, "Application of FASB Interpretation No. 46(R) to Investment Companies"

FASB Staff Position No. FIN 39-1, "Amendment of FASB Interpretation No. 39"

FASB Staff Position No. SOP 07-1-a, "Effective Date of AICPA Statement of Position 07-1"

FASB Staff Position No. 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"

Proposed FASB Staff Position No. FAS 157-b, "Effective Date of FASB Statement No. 157"

Proposed FASB Staff Position No. FIN 48-b, "Effective Date of FASB Interpretation No. 48 for Nonpublic Enterprises"

Statement 133 Implementation Issue No. B40, "Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets"

Proposed Statement 133 Implementation Issue No. E23, "Issues Involving the Application of the *Shortcut Method* Under Paragraph 68"

EITF Issue No. 07-6, "Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, *Accounting for Sales of Real Estate*, When the Agreement Includes a Buy-Sell Clause"

EITF Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities"

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

EITF Issue No. 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards"

EITF Issue No. 06-10, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Collateral Assignment Split-Dollar Life Insurance Arrangements"

EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"

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

EITF Topic No. D-98, "Classification and Measurement of Redeemable Securities"

APB Opinion No. 22, *Disclosure of Accounting Policies*

APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*

APB Opinion No. 12, *Omnibus Opinion — 1967*

AICPA Statement of Position 07-1, *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

AICPA Statement of Position 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts

AICPA Statement of Position 95-1, Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises

AICPA Statement of Position 94-4, Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans

AICPA Technical Practice Aids, TIS Section 9100.06, "The Effect of Obtaining the Management Representation Letter on Dating the Auditor's Report"

AICPA Technical Practice Aids, TIS Section 8350.01, "Current Year Audit Documentation Contained in the Permanent File"

AICPA Technical Practice Aids, TIS Section 6931.10, "Financial Statement Disclosure Requirements When a Plan Invests in a Common Collective Trust Fund or in a Master Trust That Holds Fully Benefit-Responsive Investment Contracts"

AICPA Technical Practice Aids, TIS Section 6931.09, "Financial Statement Presentation When a Plan Invests in a Common Collective Trust Fund or in a Master Trust That Holds Fully Benefit-Responsive Investment Contracts"

AICPA Technical Practice Aids, TIS Section 6931.08, "Types of Investments Subject to SOP 94-4, as Amended by FSP AAG INV-1 and SOP 94-4-1"

AICPA Technical Practice Aids, TIS Section 6140.22, "In Circumstances in Which the Reporting NPO Undertakes a Transaction in Which Another NPO (Fund-Raising NPO) Raises Contributions on Behalf of the Reporting NPO, and the Reporting NPO Compensates the Fund-Raising NPO for Raising Those Contributions (Compensation Including, But Not Limited to, an Administrative Fee), Should the Reporting NPO Report the Fund-Raising NPO's Compensation Gross, as Fund-Raising Expenses, or Net, as a Reduction of Contributions?"

AICPA Technical Practice Aids, TIS Section 6140.21, "Should an NPO Report Amounts Charged to the NPO by a Professional Fund-Raiser Gross, as Fund-Raising Expenses, or Net, as a Reduction of Contributions?"

AICPA Technical Practice Aids, TIS Section 6140.20, "NPOs Reporting No Fund-Raising Expenses"

AICPA Statement on Auditing Standards No. 114 (AU Section 360), The Auditor's Communication With Those Charged With Governance

AICPA Statement on Auditing Standards No. 112 (AU Section 325), Communicating Internal Control Related Matters Identified in an Audit

AICPA Statement on Auditing Standards No. 103 (AU Section 339), Audit Documentation

AICPA Statement on Auditing Standards No. 61 (AU Section 380), Communication With Audit Committees

AICPA Statement on Auditing Standards No. 60 (AU Section 325A), Communication of Internal Control Related Matters Noted in an Audit

AICPA Professional Standards, AR Section 100, "Compilation and Review of Financial Statements"

AICPA Professional Standards, AU Section 530, "Dating of the Independent Auditor's Report"

AICPA Professional Standards, AU Section 330, "The Confirmation Process"

AICPA Statement on Standards for Accounting and Review Services No. 29 (AR Section 9100.29), *Reporting on an Uncertainty, Including an Uncertainty About an Entity's Ability to Continue as a Going Concern*

AICPA Statement on Standards for Accounting and Review Services No. 28 (AR Section 9100.28), *Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions*

AICPA Statement on Standards for Accounting and Review Services No. 16 (AR Section 9100.16), *Defining Professional Requirements in Statements on Standards for Accounting and Review Services*

AICPA Interpretation 101-3, *Performance of Nonattest Services*

PCAOB Auditing Standard No. 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*

PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*

PCAOB Rule No. 4003, *Frequency of Inspections*

PCAOB Rule No. 3525, *Audit Committee Pre-Approval of Non-Audit Services Related to Internal Control Over Financial Reporting*

PCAOB Rule No. 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*

PCAOB Rule No. 3522, *Tax Transactions*

PCAOB Staff Audit Practice Alert No. 2, *Matters Related to Auditing Fair Value Measurements of Financial Instruments and the Use of Specialists*

SEC Staff Accounting Bulletin No. 110, codified as part of SAB Topic 14.D.2, "Share-Based Payment: Certain Assumptions Used in Valuation Methods — Expected Term"

SEC Staff Accounting Bulletin No. 109, *Written Loan Commitments Recorded at Fair Value Through Earnings*

SEC Staff Accounting Bulletin No. 107, codified as SAB Topic 14, "Share-Based Payment"

SEC Staff Accounting Bulletin No. 105, *Miscellaneous Accounting — Loan Commitments Accounted for as Derivative Instruments*

SEC Regulation S-X, Rule 6-03, "Special Rules of General Application to Registered Investment Companies"

SEC Accounting Series Release No. 268 (FRR Section 211), *Redeemable Preferred Stocks*

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*

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

GASB Statement No. 50, *Pension Disclosures* — an amendment of GASB Statements No. 25 and No. 27

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

GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*

GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*

GASB Concepts Statement No. 4, *Elements of Financial Statements*

FASAB Interpretation of Federal Financial Accounting Standards No. 7, *Items Held for Remanufacture*

FASAB Concepts Statement No. 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*

IFRS 3 (revised), *Business Combinations*

IAS 39 (revised), *Financial Instruments: Recognition and Measurement*

IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*

IAS 27 (revised), *Consolidated and Separate Financial Statements*

IAS 23 (revised), *Borrowing Costs*

IAS 19, *Employee Benefits*

IAS 1 (revised), *Presentation of Financial Statements*

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

IFRIC Interpretation 13, *Customer Loyalty Programmes*

Appendix D: 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 160, <i>Noncontrolling Interests in Consolidated Financial Statements</i> — an amendment of ARB No. 51	Effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. The standard should be applied prospectively. Presentation and disclosure requirements should be applied retrospectively to comparative financial statements. Earlier adoption is prohibited.
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 the 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. The FASB issued a proposed FSP to defer the effective date of the Statement for certain nonfinancial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, until years beginning after November 15, 2008.
Statement 141(R), <i>Business Combinations</i>	Effective prospectively for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited.
FASB Interpretation No. 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. The FASB issued a proposed FSP to defer the effective date of the Interpretation for all private entities to periods beginning after December 15, 2007.
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 should be applied to the first interim period after the date of adoption.
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 No. 46(R), <i>Consolidation of Variable Interest Entities</i> , states that "[i]nvestments 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.
Implementation Issue G26, "Cash Flow Hedges: Hedging Interest Cash Flows on Variable-Rate Assets and Liabilities That Are Not Based on a Benchmark Interest Rate"	Effective for the first fiscal quarter beginning after January 8, 2007.
Implementation Issue B40, "Embedded Derivatives: Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets"	The guidance in Implementation Issue B40 should be applied upon adoption of Statement 155, except for criterion (b) in certain cases. Criterion (b) does not apply to securitized interests that were issued before June 30, 2007, and that only include embedded derivatives (other than those solely from the embedded call options in underlying financial assets) that have an extremely remote possibility of a greater than trivial fair value at any time during the instrument's life. Statement 155 is effective for all financial instruments acquired, issued, or subject to a remeasurement (new basis) event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006. An entity that adopted Statement 155 before December 31, 2006, should apply the guidance in the first reporting period beginning before December 31, 2006, for which financial statements have not yet been issued.
EITF	Status
Significant Adoption Dates	
Issue 07-1, "Accounting for Collaborative Arrangements"	This Issue is effective for fiscal years beginning after December 15, 2008.
Issue 07-6, "Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66, Accounting for Sales of Real Estate, When the Agreement Includes a Buy-Sell Clause"	This Issue should be applied prospectively to new arrangements entered into, and assessments performed, in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Early application is not permitted.
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 06-8, "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 or annual periods beginning after December 15, 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.
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. The FASB has issued a proposed FSP to indefinitely defer the effective date of the SOP. An entity that early adopts SOP 07-1 before issuance of the final FSP would be permitted, but not required, to continue to apply the provisions of the SOP. An entity that did not early adopt SOP 07-1 would not be permitted to adopt the SOP.
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 29, <i>Reporting on an Uncertainty, Including an Uncertainty About an Entity's Ability to Continue as a Going Concern</i>	Effective February 2007.
SSARS 28, <i>Special-Purpose Financial Statements to Comply With Contractual Agreements or Regulatory Provisions</i>	Effective February 2007.

SSARS 16, <i>Defining Professional Requirements in Statements on Standards for Accounting and Review Services</i>	Effective December 18, 2007.
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 <i>Professional Standards</i> , 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 <i>Professional Standards</i> , 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 (June 2007).
SSVS 1, <i>Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset</i>	Effective for engagements accepted on or after January 1, 2008.
SEC	Status
Significant Adoption Dates	
SAB 110, codified as part of SAB Topic 14.D.2, "Share-Based Payment: Certain Assumptions Used in Valuation Methods — Expected Term"	Effective January 1, 2008.
SAB 109, <i>Written Loan Commitments Recorded at Fair Value Through Earnings</i>	Apply prospectively to commitments issued or modified in fiscal quarters beginning after December 15, 2007.
Final Rule, <i>Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3</i>	The amendments to Forms S-3 and F-3 become effective January 28, 2008. The phase-in period for Form D electronic filing will begin on September 15, 2008, and will become mandatory on March 16, 2009.
Final Rule, <i>Electronic Filing and Revision of Form D Information</i>	Effective September 15, 2008.
Final Rule, <i>Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP</i>	Effective for fiscal years ending after November 15, 2007.
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 were 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.
Final Rule, <i>Internet Availability of Proxy Materials</i>	Effective March 30, 2007. Issuers may not send a Notice of Internet Availability of Proxy Materials to shareholders before July 30, 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.
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.
Document, <i>Order Approving Proposed Rule Change and Amendment No. 1 Thereto Relating to Inspections</i>	Effective November 2, 2007.
GASB/GAO	Status
Significant Adoption Dates	
Statement 52, <i>Land and Other Real Estate Held as Investments by Endowments</i>	Effective for periods beginning after June 15, 2008. Early adoption is encouraged.
Statement 51, <i>Accounting and Financial Reporting for Intangible Assets</i>	Effective for periods beginning 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 1 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.
Concepts Statement 4, <i>Elements of Financial Statements</i>	Effective June 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.
Concepts Statement 5, <i>Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements</i>	Effective December 26, 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>IFRS 2 — 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.

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