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Accounting Roundup

Third Quarter in Review — 2008

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To our clients, colleagues, and other friends:

Welcome to the quarterly edition of *Accounting Roundup*. During the third quarter of 2008, accounting standard setters and regulators issued a number of pronouncements (e.g., final FASB Statements, FSPs, EITF consensuses, SEC rules, PCAOB rules, IFRSs) affecting accounting, financial reporting, and corporate governance.

Accounting Roundup: Third Quarter in Review — 2008 presents brief descriptions of these pronouncements and outlines other third-quarter regulatory and professional developments. Events that occurred in September or that were not addressed in the July and August issues of *Accounting Roundup* are marked with an asterisk (*) in the article title. Events without asterisks have been covered in monthly issues. As usual, click any title in the table of contents to go directly to the article.

For additional information about a topic, click the hyperlinks, which are underlined in blue. Further details are also on the Web sites of the accounting standard setters and regulators, including the FASB, GASB, SEC, PCAOB, AICPA, and IASB. Be sure to monitor upcoming issues of *Accounting Roundup* for new developments. We value your feedback and would appreciate any comments you may have on *Accounting Roundup: Third Quarter in Review — 2008*. Take a moment to tell us what you think by sending us an e-mail at accountingstandards@deloitte.com.

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FASB's Fair Value Project

On October 3, 2008, the FASB proposed FSP FAS 157-d, which amends Statement 157 to provide an example of how to determine the fair value of a financial asset when markets for the asset are inactive. Comments on the FSP are due by **October 9, 2008**. The FASB will hold a meeting on **October 10, 2008**, to consider comments received and finalize the issuance of the FSP. For more information, see "FASB and SEC Clarify Fair Value Measurement" article in this quarterly *Accounting Roundup*.

FASB's Consolidation Project

On September 15, 2008, the FASB issued three Exposure Drafts (EDs) proposing changes to the consolidation model and related disclosures. Comments on the ED for disclosures are due by **October 15, 2008**. If an entity would like to participate in the FASB's public roundtable on the Statement 140 and Interpretation 46(R) EDs, comments on these EDs are due by **October 30, 2008**. For more information, see "FASB Proposes to Eliminate QSPEs and to Modify Consolidation Model" article in this quarterly *Accounting Roundup*.

Upcoming Events

FASB Roundtable on Consolidation

On November 6, 2008, the FASB will host a roundtable on the Exposure Drafts (EDs) that would amend Statement 140 and Interpretation 46(R). Individuals interested in participating must notify the FASB by October 27, 2008, and must submit comments on the EDs no later than October 30, 2008. See "FASB Proposes to Eliminate QSPEs and to Modify Consolidation Model" article below.

SEC Roundtable on Disclosure System

On October 8, 2008, the SEC, as part of its 21st Century Disclosure Initiative, will host a roundtable to discuss modernization of its disclosure system. Topics will include:

- Processes and technology used by registrants to gather disclosure information required by the SEC.
- Data and technology used by investors to make their investment decisions.
- Ways the SEC can be more efficient at gathering and distributing disclosure information.

Leadership Changes

FASB: Marc A. Siegel has been appointed to the FASB. Mr. Siegel succeeds George J. Batavick, whose term ended on June 30, 2008.

SEC: Elisse Walter, Troy Paredes, and Luis Aguilar have been sworn in as SEC commissioners. Paul Beswick has been named deputy chief accountant for professional practice in the SEC's Office of the Chief Accountant.

GASB: Girard Miller has resigned from the GASB.

IASB: Prabhakar Kalavacherla has been named a member of the IASB.

IFAC: Dr. Arnold Schilder, RA, has been named chair of the IAASB.

Deloitte Publications

Deloitte has issued the September 2008 edition of *IFRS Insights*, a newsletter detailing new IFRS developments and updates. This month's issue includes the following topics:

- IFRS milestones in the United States (feature article).
- Developing an IFRS Center of Excellence.
- IFRS 2 on share-based payments.
- Oil and gas industry Q&A.

FASB Developments

FASB Issues Guidance on Endowments

AFFECTS: Not-for-profit organizations.

SUMMARY: On August 6, 2008, the FASB issued FSP FAS 117-1 to resolve questions about the reporting of donor-restricted endowments and to "improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations." The FSP requires that:

- Not-for-profit organizations subject to UPMIFA classify amounts held in donor-restricted funds "of perpetual duration" as permanently restricted if (1) the donor has specified that the funds must be retained permanently or (2) the governing board designates funds as permanently restricted in accordance with a relevant law.
- The portions of donor-restricted funds subject to UPMIFA that are not considered permanently restricted be classified as temporarily restricted, until they have been appropriated by the not-for-profit organization.
- Transparent disclosures be made regarding "net asset classification, net asset composition, changes in net asset composition, spending policy(ies), and related investment policy(ies) about its endowment funds (both donor-restricted and board-designated)."

NEXT STEPS: The FSP is effective for fiscal years ending after December 15, 2008. Early application is permitted, as long as the organization has not previously issued annual financial statements for that fiscal year.

OTHER RESOURCES: A news release announcing the FSP is available on the FASB's Web site.

FASB Issues FSP on Credit Derivative and Guarantee Disclosures*

AFFECTS: Entities that sell credit derivatives and provide financial guarantees.

SUMMARY: On September 12, 2008, the FASB issued FSP FAS 133-1 and FIN 45-4. The FSP amends Statement 133 to require a **seller** of credit derivatives, including credit derivatives embedded in hybrid instruments, to provide certain disclosures for each credit derivative (or group of similar credit derivatives) for each statement of financial position presented. These disclosures must be provided even if the likelihood of having to make payments is remote. Required disclosures include:

- The nature of the credit derivative, including:
  - The approximate term of the derivative.
  - The reason(s) for entering into the derivative.
  - The events or circumstances that would require the seller to perform under the derivative.
  - The status of the payment/performance risk of the derivative as of the reporting date. This can be based on a recently issued external credit rating or an internal grouping used by the entity to manage risk. (If an internal grouping is used, the entity also must disclose the basis for the grouping and how it is used to manage risk.)

- The maximum potential amount of future payments (undiscounted) the seller could be required to make under the credit derivative contract (or the fact that there is no limit to the maximum potential future payments). If a seller is unable to estimate the maximum potential amount of future payments, it also must disclose the reasons why.
- The fair value of the derivative.
- The nature of any recourse provisions and assets held as collateral or by third parties that the seller can obtain and liquidate to recover all or a portion of the amounts paid under the credit derivative contract.

For hybrid instruments that have embedded credit derivatives, the required disclosures should be provided for the entire hybrid instrument, not just the embedded credit derivative.

The FASB did not perceive substantive differences between the risks and rewards of sellers of credit derivatives and those of financial guarantors. With one exception, the disclosures in Interpretation 45 were consistent with the disclosures that will now be required for credit derivatives. To make the disclosures consistent, the FSP amends Interpretation 45 to require guarantors to disclose "the current status of the payment/performance risk of the guarantee."

The FSP also clarifies that Statement 161 is effective for financial statements issued for fiscal years **and** interim periods beginning after November 15, 2008. Accordingly, an entity must provide the disclosures required by Statement 161 in its first set of financial statements issued for a reporting period that begins after November 15, 2008, regardless of whether that reporting period is an interim period.

NEXT STEPS: The provisions of the FSP that amend Statement 133 and Interpretation 45 are effective for reporting periods (annual or interim) ending after November 15, 2008. The clarification of the effective date of Statement 161 is effective on September 12, 2008.

OTHER RESOURCES: A news release announcing the FSP is available on the FASB's Web site. Also see Deloitte's September 18, 2008, *Heads Up*.

FASB and SEC Clarify Fair Value Measurement*

AFFECTS: All entities.

SUMMARY: On September 30, 2008, the SEC and the FASB jointly issued a press release clarifying fair value measurement practices in the current market environment. Key issues discussed in the press release include:

- Use of internal assumptions to estimate fair value when there are no relevant market data.
- Use of market (broker) quotes to measure fair value.
- Consideration of how transactions that represent distressed sales or that are in inactive markets are indicative of fair value.
- Factors to consider in the assessment of other-than-temporary impairments.

On October 3, 2008, the FASB proposed FSP FAS 157-d, which amends Statement 157 to give an example of how to determine the fair value of a financial asset in an inactive market. The FSP does not change the fair value measurement principles in Statement 157.

The FSP would be effective upon issuance, including prior periods for which financial statements have not been issued.

NEXT STEPS: Comments on the FSP are due by October 9, 2008. The FASB will hold a meeting on October 10, 2008, to consider comments received and finalize the issuance of the FSP.

OTHER RESOURCES: See Deloitte's October 3, 2008, and September 27, 2007, *Financial Reporting Alerts*. Also see "SEC Advises Registrants to Further Explain Fair Value in MD&A" article below.

FASB Proposes to Eliminate QSPEs and to Modify Consolidation Model*

AFFECTS: All entities.

SUMMARY: On September 15, 2008, the FASB issued three Exposure Drafts (EDs) proposing amendments to the derecognition guidance in Statement 140 and the consolidation model in Interpretation 46(R). The EDs reflect the Board's response to the increased scrutiny by SEC, Congress, and financial statement users of the accounting and disclosures required by Statement 140 and Interpretation 46(R) in the wake of the recent deterioration in the global credit markets.

The EDs consist of two proposed statements and a proposed staff position:

- Proposed FASB Statement, *Accounting for Transfers of Financial Assets*, which would:
  - Remove the concept of a qualifying special-purpose entity (QSPE) from Statement 140 and the related scope exceptions from Interpretation 46(R).
  - Modify the derecognition conditions associated with legal isolation and effective control.
- Proposed FASB Statement, *Amendments to FASB Interpretation No. 46(R)*, which would:
  - Modify the consolidation model for variable interest entities (VIEs).
  - Require continual reassessment of consolidation conclusions.
- Proposed FASB Staff Position (FSP) No. FAS 140-e and FIN 46(R)-e, "Disclosures About Transfers of Financial Assets and Interests in Variable Interest Entities," which would:
  - Expand, **for public entities,** the disclosure requirements in Statement 140 for transfers of financial assets to include disclosure of (1) a transferor's continuing involvement in transferred financial assets and (2) how a transfer of financial assets to a special-purpose entity affects an entity's financial position, financial performance, and cash flows.
  - Expand, **for public entities,** the disclosure requirements in Interpretation 46(R) for involvements with VIEs to include (1) nontransferors' disclosures about significant variable interests in QSPEs and (2) sponsors' disclosures about involvements with VIEs.

If the EDs become final standards, enterprises involved with QSPEs will no longer be exempt from applying the consolidation provisions in Interpretation 46(R). As a result, previously unconsolidated entities may become consolidated by transferors or other interest holders. Also, because of the proposed modifications to the existing consolidation model in Interpretation 46(R) and the requirement for enterprises to continually reassess consolidation conclusions, enterprises involved with VIEs (even VIEs that are not structured finance vehicles) will need to rethink their previous consolidation conclusions.

NEXT STEPS:

If adopted, the amendments to the derecognition guidance in Statement 140 and the consolidation model in Interpretation 46(R) will be effective for fiscal years (and interim periods within those fiscal years) beginning after November 15, 2009. If the proposed FSP on disclosure enhancements is adopted, it will be effective for **public entities** for reporting periods (interim and annual) beginning with the first reporting period that **ends** after the final FSP is issued.

Comments on the proposed statements are due by November 14, 2008; comments on the proposed FSP are due by **October 15, 2008**. The FASB expects to issue a final FSP in the fourth quarter of 2008.

The FASB is holding a public roundtable on both the Statement 140 ED and the Interpretation 46(R) ED on November 6, 2008. Individuals interested in participating must notify the FASB by October 27, 2008, and must submit comments on the EDs no later than **October 30, 2008**.

OTHER RESOURCES:

A news release announcing the EDs is available on the FASB's Web site. Also see Deloitte's September 22, 2008, *Heads Up*.

FASB Issues Revised Exposure Draft on Earnings per Share

AFFECTS:

All entities.

SUMMARY:

On August 7, 2008, the FASB issued an ED to amend Statement 128 on earnings per share (EPS). The ED parallels the IASB's recently issued proposed amendments to IAS 33. (See "IASB Issues Proposed Amendments to IAS 33 on Earnings per Share" article below.) The proposed amendments reflect the boards' efforts to converge, as well as to clarify and simplify, the guidance on EPS in U.S. GAAP and IFRSs. Because other accounting differences between U.S. GAAP and IFRSs rule out the possibility of achieving a common numerator (i.e., earnings) in EPS calculations, the boards instead focused their proposed amendments on achieving a common denominator (i.e., number of shares). Although previously exposed in September 2005, the ED is being reexposed because of the following significant changes it would make to the EPS computation:

Fair Value Method

- The dilutive effect that would be caused by the exercise or conversion of instruments that are measured at fair value, with changes in fair value recognized in earnings each period, would be excluded from the computation of diluted EPS.
- Participating securities measured at fair value, with changes in fair value recognized in earnings each period, would be excluded from the application of the two-class method.
- If a share-based payment award can be settled in shares, is classified as a liability, and is remeasured at a fair-value-based amount each reporting period (or capitalized as part of the cost of an asset and recognized in earnings in a subsequent period), that award also would be excluded from the computation of diluted EPS other than for the fair-value-based adjustment recorded as compensation cost in net income each reporting period.

Basic EPS

Under the ED, the following instruments, which are included in the computation of basic EPS, would be more clearly articulated:

- Outstanding common shares (including common shares with different dividend rights).

- Instruments that are currently exercisable or shares that are "currently issuable for little or no cost to the holder."
- Participating securities that are "not measured at fair value . . . with changes in fair value recognized in current-period earnings."

Mandatorily convertible instruments would not be included in the computation of basic EPS before the instruments are converted into common shares unless the holders of the instrument (in the instrument's current form) could participate in current-period earnings with common shareholders. If the instrument is considered a participating security, it would be included in the computation of basic EPS under the two-class method.

The FASB is essentially saying that in the computation of basic EPS, an entity should only include (1) the current shareholders, (2) instruments that can currently become shares without much sacrifice on the part of the holder, or (3) instruments that can currently participate in earnings with the common shareholders.

Diluted EPS

Currently under Statement 128, an instrument that can be settled in cash or shares is presumed to be settled in shares. However, an entity can overcome this presumption if it has a past practice or stated policy of settling such an instrument in cash. Under the ED, an entity **would be required** to assume that an instrument that can be settled in cash or shares will be settled in shares.

The ED would make the following changes to the computation of diluted EPS under the treasury stock method and reverse treasury stock method:

- An entity would be required to use the end-of-period market price, instead of an average market price, when determining the number of incremental common shares to include in the computation of diluted EPS under both methods.
- The carrying amount of an instrument that is classified as a liability and that can be settled in common shares would be included as a component of assumed proceeds under the treasury stock method.

NEXT STEPS: The ED would be retrospectively applied to all prior-period EPS data. The ED does not include a specific effective date. The FASB reasoned that the effective date should be set after the public has had an opportunity to comment on the document. Comments on the proposed statement are due by December 5, 2008.

OTHER RESOURCES: A news release announcing the ED is available on the FASB's Web site. Also see Deloitte's August 13, 2008, *Heads Up*.

FASB Issues Proposed FSP on Discontinued Operations*

AFFECTS: All entities.

SUMMARY: On September 25, 2008, the FASB issued proposed FSP FAS 144-d, which amends the definition of a discontinued operation and the related disclosure requirements under Statement 144. This proposal parallels the IASB's proposed amendment to its definition and disclosure requirements under IFRS 5. The FASB and IASB proposals are part of a joint project to develop a common definition of discontinued operations and consistent disclosures.

Under the proposed FSP, a discontinued operation is defined as a component of an entity that is either (1) an operating segment that has been disposed of or is classified as held for sale or (2) a business that has been acquired and is classified as held for sale.

The proposed FSP also amends the reporting requirements of Statement 144 to include additional disclosures for a component of an entity that has been disposed of or is classified as held for sale (except those resulting from an acquisition). Required disclosures would include:

a. "The profit or loss, together with major income and expense items constituting that profit or loss, including impairments, interest, depreciation, and amortization

b. Whether the profit or loss in (a) is presented in continuing operations or in discontinued operations

c. The major classes of cash flows (operating, investing, and financing)

d. If applicable, the amount of pretax profit or loss reported as discontinued operations in the income statement

e. If the component of an entity includes a noncontrolling interest, the profit or loss attributable to the parent."

For acquired entities classified as held for sale, disclosures would include:

a. "A description of the facts and circumstances leading to the expected disposal and the expected manner and timing of that disposal

b. If applicable, the segment in which the long-lived asset (disposal group) is reported under Statement 131."

NEXT STEPS: The FSP would be effective for financial statements for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2009.

Comments on the FSP are due by January 23, 2009.

OTHER RESOURCES: A news release announcing the FSP is available on the FASB's Web site. Also see "IASB Issues Exposure Draft on Discontinued Operations" below.

FASB Delays Contingencies Project*

AFFECTS: All entities and their auditors.

SUMMARY: In response to feedback from comment letters, the FASB decided at its September 24 meeting to delay until 2009 the finalization of any new, expanded disclosure requirements for loss contingencies that it had proposed in its ED on loss contingency disclosures. It also voted to defer the effective date of such requirements until no sooner than fiscal years ending after December 15, 2009. In addition, the FASB staff presented a plan to field-test (1) the ED's disclosure model and (2) an alternative model it is developing.

NEXT STEPS: After field tests are completed, the FASB intends to conduct a roundtable discussion in early 2009 and redeliberate the ED.

OTHER RESOURCES: Additional information on this project is available on the FASB's Web site.

FASB Updates Codification for Business Combinations Topics

AFFECTS: All entities and their auditors.

SUMMARY: On August 21, 2008, the FASB announced the addition of business combinations topics to the FASB's Accounting Standards Codification. Topics combine authoritative guidance from Statement 141(R), Statement 109, Interpretation 48, various EITF Issues, and various SEC Staff Accounting Bulletins.

Note that the Codification does not represent authoritative guidance until after the verification period, at which time it will supersede all existing accounting literature (other than guidance issued by the SEC).

NEXT STEPS: The FASB is expected to formally approve the Codification for use in the second quarter of 2009 after addressing any issues raised during the verification phase.

OTHER RESOURCES: Deloitte's January 18, 2008, *Heads Up*.

FASB Updates Codification for Insurance Industry Topic*

AFFECTS: All entities and their auditors.

SUMMARY: On September 19, 2008, the FASB announced the addition of an insurance industry topic to the FASB's Accounting Standards Codification. The topic integrates authoritative guidance applicable to the insurance industry, such as Statements 60 and113; SOPs 00-3, 03-1, and 05-1; various EITF Issues; and various SEC literature.

Note that the Codification does not represent authoritative guidance until after the verification period, at which time it will supersede all existing accounting literature (other than guidance issued by the SEC).

NEXT STEPS: The FASB is expected to formally approve the Codification for use in the second quarter of 2009 after addressing any issues raised during the verification phase.

OTHER RESOURCES: Deloitte's January 18, 2008, *Heads Up*.

FASB and IASB Issue Updated Memorandum of Understanding*

AFFECTS: All entities.

SUMMARY: On September 11, 2008, the FASB and IASB issued an updated memorandum of understanding (MOU) describing the priorities and milestones related to their completion of major joint projects by 2011. The two boards have made considerable progress in converging their two sets of standards since the original MOU was issued in 2006. Notwithstanding these accomplishments, the boards' progress on many of the major projects has been limited. Reasons for this lack of progress include differences in views about (1) agenda size and project scope, (2) the most appropriate approach, and (3) whether and how similar issues in active projects should be resolved consistently.

In response, the boards put together a small team to develop recommendations on how to move forward with the remaining projects to achieve a 2011 completion date. The original MOU included 11 projects. The scopes and objectives of many of the projects have been, or are expected to be, revised.

OTHER RESOURCES: A news release announcing the MOU is available on the FASB's Web site. See Deloitte's September 16, 2008, *Heads Up* for information about the current status of the projects and expected next steps.

EITF Developments

EITF Issue No. 08-1, "Revenue Recognition for a Single Unit of Accounting"*

AFFECTS: Entities that enter into revenue arrangements consisting of multiple revenue-generating activities.

SUMMARY: Before evaluating how to recognize revenue for transactions with multiple revenue-generating activities, entities should identify all the deliverables in an arrangement. Some arrangements may contain only one deliverable. If there are multiple deliverables, each deliverable must be evaluated to determine whether it should be treated separately or in combination with other deliverables (i.e., single unit of accounting) in accordance with Issue 00-21 or other applicable guidance. Thus, under Issue 00-21, an entity may be required to combine multiple deliverables into a single unit of accounting.

Because of the complexity of this Issue and the various accounting literature that could be affected by a final consensus, the Task Force formed a Working Group in March 2008. The Task Force asked the FASB staff to research, and present to the Working Group, issues that arise in practice when a multiple attribution model is used to recognize revenue for a single unit of accounting. Over the past several months, the Working Group has met to discuss several of these issues, including the following:

- Whether "access or standing ready to perform" can be a deliverable.
- Whether and how contingent deliverables should affect revenue recognition.
- Whether revisions to the Issue 00-21 fair value threshold requirement are necessary.
- Whether it is acceptable to use the milestone method as an "attribution method of revenue recognition."
- How to apply the proportional performance model to a "single unit of accounting composed of multiple deliverables."
- Whether it is acceptable to use a straight-line attribution method "for convenience" (e.g., for up-front fees).

The Working Group also discussed whether the scope of this Issue should be limited to arrangements within the scope of paragraph 4 of Issue 00-21 and whether final guidance should be interpretive, a reconsideration of existing accounting guidance, or a variation of these two approaches.

NEXT STEPS: The Task Force did not reach a consensus-for-exposure. Of the above issues, the Task Force tentatively concluded to address only (1) a revision to the fair value threshold for separation in Issue 00-21 and (2) whether the use of the milestone method for revenue recognition is appropriate. Further deliberations by the Task Force are expected at its November 2008 meeting.

OTHER RESOURCES: Deloitte's September 2008 *EITF Snapshot*.

EITF Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value With a Third-Party Credit Enhancement"*

AFFECTS: Entities that incur liabilities (e.g., by issuing debt securities) that have inseparable third-party credit enhancements (e.g., a third-party guarantee) when such a liability is measured at fair value or a fair value measurement is disclosed.

SUMMARY: At issue is whether an issuer of a liability with a third-party credit enhancement that is inseparable from that liability should measure the fair value of the liability with or without the credit enhancement.

The Task Force reached a consensus that an issuer of a liability with a third-party credit enhancement that is inseparable from the liability must treat the liability and the credit enhancement as two units of accounting. Under the consensus, the fair value measurement of the liability does not include the effect of the third-party credit enhancement; therefore, changes in the issuer's credit standing without the support of the credit enhancement affect the fair value measurement of the issuer's liability. Entities will need to provide disclosures about the existence of any third-party credit enhancements related to their liabilities that are within the scope of this Issue (i.e., that are measured at fair value).

NEXT STEPS: The consensus is effective beginning in the first reporting period on or after December 15, 2008. Entities must apply this Issue prospectively, with the effect of initial application included in the change in fair value of the liability in the period of adoption. In the period of adoption, entities must disclose (1) the valuation method(s) used to measure the fair value of liabilities within the scope of this Issue and (2) any change in the fair value measurement method that occurs as a result of the initial application of this Issue. Early adoption is permitted. The Board ratified the consensus at its September 24, 2008, meeting.

OTHER RESOURCES: Deloitte's September 2008 *EITF Snapshot*.

EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations"*

AFFECTS: Entities that acquire or hold investments accounted for under the equity method.

SUMMARY: Certain provisions in Opinion 18 require entities to account for equity method investments "as if the investee were a consolidated subsidiary." Statements 141(R) and 160, which are effective for fiscal years beginning on or after December 15, 2008, amend the accounting for consolidated subsidiaries. Opinion 18 states that the difference between the cost of an equity method investment and the underlying equity in the net assets of that investee should be accounted for as if the investee were a consolidated subsidiary. Generally, business combination accounting guidance had been applied to the acquisitions of equity method investments. Because of the significant changes to the accounting guidance on subsidiary acquisitions and subsidiary equity transactions and the increased use of fair value measurements as a result of Statements 141(R) and 160, questions have arisen regarding the applicability of that guidance to equity method investments.

The Task Force reached a consensus-for-exposure on the following issues:

Initial Recognition and Measurement

- The initial carrying value of an equity method investment should be determined by applying the cost accumulation model described in paragraphs D4 and D5 of Appendix D of Statement 141(R).

Subsequent Measurement Issues

- The other-than-temporary impairment model of Opinion 18, not some other method that disaggregates the investment into the individual assets of the investee, should be used when testing equity method investments for impairment.
- Share issuances by the investee should be accounted for as if the equity method investor had sold a proportionate share of its investment (i.e., any gain or loss is recognized in earnings).

- When an investment is no longer within the scope of equity method accounting but is within the scope of cost method accounting or Statement 115, the investor should prospectively apply the provisions of Opinion 18 or Statement 115 and use the current carrying amount of the investment as its initial cost.

The Task Force discussed different approaches to address the issue on how the difference between the investor's carrying value and the underlying equity of the investee should be allocated to the underlying assets and liabilities of the investee on initial recognition, but ultimately decided not to provide explicit guidance.

NEXT STEPS: To coincide with the effective dates of Statements 141(R) and 160, a consensus would be effective for transactions occurring in fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption would not be permitted. At its September 24, 2008, meeting, the Board ratified the consensus-for-exposure. It has been exposed for public comment, with comments due by October 22, 2008.

OTHER RESOURCES: Deloitte's September 2008 *EITF Snapshot*.

EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets"*

AFFECTS: Entities that will acquire intangible assets after the effective date of Statement 141(R), when the acquirer has no intention of using, or intends to discontinue use of, the intangible asset but holds it (locks it up) to prevent competitors from obtaining any benefit from it (i.e., a defensive intangible asset).

SUMMARY: An entity must record an acquired defensive intangible asset at its fair value under Statement 141(R). For example, an entity may acquire a trade name through a business combination; the entity may have no intention of using the trade name but may intend to lock it up to block competitors from obtaining any benefit from it. Under Statement 141 (before revision), little or no value may have been assigned to this intangible asset. This is because many entities applied the accounting guidance in paragraph 37(d) of Statement 141, which permitted entities to allocate an amount less than fair value to an acquired asset when the acquirer intended to use the asset in a way that indicated a lower value to the acquirer.

Under Statements 141(R) and 157, an acquiring entity must assign value to intangible assets on the basis of the highest and best use of those assets as determined from a market participant perspective. That is, even when an acquiring entity does not intend to use the asset (or intends to use it in a manner that is inconsistent with the manner in which a market participant would use it), the entity must determine the fair value of the intangible asset on the basis of the amount that a market participant would pay for it.

Once an entity determines the fair value of these defensive intangible assets, it must apply Statement 142 to determine the appropriate useful life to assign to those assets. The useful life assigned dictates whether the intangible asset will be amortized and, if so, over what period. The distinction between finite-lived and indefinite-lived intangible assets is important because, aside from amortization, finite-lived intangibles are tested for impairment pursuant to Statement 144 while indefinite-lived intangibles are tested for impairment pursuant to Statement 142.

The Task Force reached a consensus-for-exposure that an acquired defensive asset should be accounted for as a separate unit of accounting (i.e., an asset separate from other assets of the acquirer). The Task Force also reached a consensus-for-exposure that an acquired defensive asset should be assigned a useful life in accordance with Statement 142 and should be amortized over the period during which the asset is expected to diminish in value. The Issue will provide additional examples illustrating how to determine this period.

NEXT STEPS: To coincide with the effective date of Statement 141(R), a consensus would be effective for intangible assets acquired in fiscal years beginning on or after December 15, 2008. At its September 24, 2008, meeting, the Board ratified the consensus-for-exposure. It has been exposed for public comment, with comments due by October 22, 2008.

OTHER RESOURCES: Deloitte's September 2008 *EITF Snapshot*.

EITF Issue No. 08-8, "Accounting for an Instrument (or an Embedded Feature) With a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary"*

AFFECTS: Reporting entities that enter into freestanding financial instruments (or instruments that contain embedded features) for which the payoff to the counterparty is indexed to the stock of a consolidated subsidiary.

SUMMARY: Before the effective date of Statement 160, entities have generally reported the noncontrolling interest in a subsidiary as a "mezzanine" item (between liabilities and equity) in the consolidated statement of financial position. However, Statement 160 requires reporting entities to classify noncontrolling interests in equity, separately from the parent entity's equity. That is, Statement 160 requires reporting entities to view subsidiary equity as equity of the parent entity. The Statement did not amend the accounting guidance in Issue 00-6 for financial instruments that are indexed to and potentially settled in the stock of a consolidated subsidiary. In the Basis for Conclusions of Statement 160, the Board acknowledged that "there is an inconsistency between its decision in this Statement and the guidance in Issue 00-6 because in Issue 00-6 the Task Force reached a consensus that 'stock of a subsidiary is not considered equity of the parent (reporting entity) (paragraph 3).'" Although the Board did not address that inconsistency in Statement 160, the FASB chairman added this Issue to the Task Force's agenda in July 2008.

The Task Force reached a consensus-for-exposure that freestanding financial instruments (or embedded features) that are indexed to the stock of a consolidated subsidiary are not precluded from being considered indexed to the entity's own stock in the consolidated financial statements. An entity will need to apply other applicable U.S. GAAP (e.g., Issue 07-5 or Issue 00-19) to determine whether the instrument (or embedded feature) should be classified as equity or as a liability (or asset). The Task Force included an anti-abuse provision as part of this consensus. This provision requires that any subsidiary referenced in the freestanding instrument (or embedded feature) be substantive to ensure that entities cannot receive equity classification for a financial instrument referenced to a subsidiary that has no business purpose (e.g., the subsidiary was formed to hold a derivative instrument or a commodity).

NEXT STEPS: To coincide with the effective date of Statement 160, a consensus would be effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. At transition, the carrying value of the instrument (or separated embedded feature) previously classified as a liability will be reclassified to noncontrolling interest. Early adoption would not be permitted. At its September 24, 2008, meeting, the Board ratified the consensus-for-exposure. It has been exposed for public comment, with comments due by October 22, 2008.

OTHER RESOURCES: Deloitte's September 2008 *EITF Snapshot*.

EITF Administrative Matters — Revisions to Topic D-98 (Updated)*

AFFECTS: Issuers of convertible debt securities.

SUMMARY: The SEC observer announced revisions to Topic D-98. The revisions primarily address the SEC staff's views regarding the application of Topic D-98 to the classification and measurement of convertible debt instruments within the scope of FSP APB 14-1. The FSP requires entities to separate those convertible debt instruments into a liability-classified component and an equity-classified component. Depending on the terms of the convertible debt instrument and the individual facts and circumstances associated with the convertible debt instrument, when the entire instrument is converted or redeemed, some of the cash outflow may be allocated to the extinguishment of the equity component. The revisions to Topic D-98 require mezzanine classification (i.e., outside of permanent equity) for instruments that are currently redeemable or convertible when the amount of cash required to be exchanged in a hypothetical settlement (as of the balance sheet date) of the liability-classified component exceeds the current carrying amount of that liability-classified component. Specifically, entities would classify a portion of the equity-classified component in mezzanine that is equal to the excess, if any, of the hypothetical cash settlement of the liability-classified component over the current carrying amount of that component (calculated as of the balance sheet date).

NEXT STEPS: The SEC staff's revisions will be effective concurrently with the effective date, and pursuant to the transition provisions, of the FSP. The FSP is effective for fiscal years (and interim periods within those fiscal years) beginning after December 15, 2008. Early adoption is not permitted.

OTHER RESOURCES: Deloitte's September 2008 *EITF Snapshot*.

AICPA Developments

AICPA, ACFE, and IIA Join Forces to Issue New Fraud Guidelines

AFFECTS: All entities.

SUMMARY: The AICPA, ACFE, and IIA have issued a guide recommending ways in which boards, senior management, and internal auditors can manage fraud risk at their organizations and how entities can establish a fraud risk management program. The guide lists five key fraud risk management principles:

- A governance structure that includes a fraud risk management program.
- Periodic fraud risk assessments.
- Prevention techniques (e.g., authority limits, transaction-level procedures).
- Detection techniques (e.g., whistleblower hotlines, reconciliation procedures).
- A fraud reporting system that establishes procedures for investigating potential frauds and implementing corrective actions.

OTHER RESOURCES: A news release announcing the new guide is available on the AICPA's Web site.

AICPA Proposes Amendments to Interim Financial Information*

AFFECTS: All entities and their auditors.

SUMMARY: On September 2, 2008, the AICPA issued an Exposure Draft (ED) of a proposed SAS amending AU Section 722. Currently, AU Section 722 applies solely to reviews of public entities' interim financial information. The proposed SAS would (1) remove entities subject to PCAOB oversight (i.e., PCAOB auditing standards) from the scope of AU Section 722 and (2) include reviews of interim financial information for nonissuers within the scope of AU Section 722.

The proposed SAS would apply to reviews of interim information issued as an update to audited prior year-end financial statements. It would not apply to prior year-end financial statements that have not been audited; reviews of such financial statements should be performed in accordance with the appropriate SSARSs.

NEXT STEPS: Comments on the ED are due by November 3, 2008.

AICPA Proposes Amendments to Audit and Accounting Guide on Gaming Activities*

AFFECTS: Entities that engage in gaming activities and their auditors.

SUMMARY: On September 11, 2008, the AICPA issued an ED of a proposed audit and accounting guide on gaming activities. The proposed guide would update the AICPA's current gaming industry guide, *Casinos*. New topics covered in the proposed guide include guarantees, currency translation reporting, and governmental gaming entities.

NEXT STEPS: Comments on the ED are due by December 9, 2008.

OTHER RESOURCES: A news release announcing the proposed guide is available on the AICPA's Web site.

SEC Developments

SEC Amends Filing Process for Self-Regulatory Organizations

AFFECTS: Exchanges and other self-regulatory organizations (SROs) that are subject to SEC oversight.

SUMMARY: On July 3, 2008, the SEC issued a final rule containing interpretive guidance that affects the rule-making process for SROs that are subject to SEC oversight. The final rule sets a 15-business-day review and publication requirement for proposed rule changes submitted by SROs to the SEC and clarifies which of these changes can become effective immediately upon filing with the Commission.

NEXT STEPS: The final rule became effective on July 11, 2008.

SEC Approves Foreign Private Issuer Rule Amendments

AFFECTS: Foreign private issuers.

SUMMARY: On August 27, 2008, the SEC voted to issue final rule amendments to its disclosure requirements for foreign private issuers. The amendments (1) enhance the reporting requirements for foreign private issuers, (2) modify the exemption under Rule 12g3-2(b) of the Securities Exchange Act of 1934, and (3) expand and enhance the use of current exemptions for cross-border business combinations to encourage offerors and issuers to enter into cross-border transactions.

Enhancements to Reporting by Foreign Issuers

These amendments would do the following:

- Allow foreign private issuers to assess "their eligibility . . . once a year on the last business day of their second fiscal quarter" rather than continually, as currently required.
- Change the filing deadline for annual reports of foreign private issuers from six months to four months after fiscal year-end.
- Improve certain disclosures provided by foreign private issuers in their annual reports and registration statement forms by modifying Form 20-F to require:
  - That foreign private issuers provide a reconciliation to U.S. GAAP for financial statements prepared on a basis other than U.S. GAAP or IFRSs.
  - The disclosure of changes in or disagreements with the foreign private issuers' auditors.
  - The disclosure of fees and other payments made by ADR holders.
  - The disclosure of corporate governance practices.

Amendment to Exchange Act Rule 12g3-2(b) Exemption

This amendment modifies the Rule 12g3-2(b) exemption, which "permits a foreign private issuer to exceed the shareholder thresholds for registration under Exchange Act Section 12(g) and effectively have its equity securities traded on a limited basis in the over-the-counter market in the United States." A foreign private issuer would no longer have to submit hard-copy "information concerning its U.S. shareholders, and paper copies of its non-U.S. disclosure documents published since the beginning of its most recently completed fiscal year." Rather, a foreign private issuer would automatically be granted the exemption if it files this information electronically and meets the following requirements:

- The U.S. trading volume for the securities is no more than 20 percent of the issuer's "average daily trading volume of that class of securities on a worldwide basis" for the most recently completed fiscal year or the issuer is claiming the exemption with its deregistration under Exchange Act Rule 12h-6.
- The securities are listed on "one or more exchanges in a foreign jurisdiction that, either singly or together with the trading of the same class of the issuer's securities in another foreign jurisdiction, constitutes the primary trading market for those securities."
- Certain non-U.S. disclosure documents are published in English either on the issuer's Web site or via an "electronic information delivery system" that is readily available to those in its primary trading market, unless the issuer is claiming the exemption in connection with a deregistration.
- The entity has no reporting obligations under Section 13(a) or 15(d) of the Exchange Act.

Enhancements to Exemptions for Cross-Border Transactions

These amendments would do the following:

- Modify the look-through analysis to resolve timing concerns for the performance of the look-through calculation.
- Offer an alternative test to determine who is eligible to rely on cross-border exemptions during a transaction.
- Expand relief for transactions not eligible under the cross-border exemptions.
- Amend Tier II to:
  - Extend the relief to tender offers not subject to Section 13(e) or 14(d) of the Exchange Act.
  - Eliminate recurring conflicts between U.S. and foreign law.
- Codify existing interpretive positions and three class-exemptive letters.
- Permit foreign institutions to report on Schedule 13G, if certain conditions are met, and amend the definition of beneficial owner in Exchange Act Rule 16a-1(a)(1).

NEXT STEPS: Final Rule 34-58465 will be effective on October 10, 2008; Final Rule 33-8959 will be effective on December 6, 2008; and Final Rule 33-8957 will be effective on December 8, 2008.

OTHER RESOURCES: A press release announcing the SEC's decision is available on the SEC's Web site.

SEC Issues Guidance on the Use of Corporate Web Sites

AFFECTS: Public entities.

SUMMARY: On August 1, 2008, the SEC, responding to CIFiR's recommendations and entities' concerns, issued an interpretive release on the use of corporate Web sites to disclose information about an entity to the public. The interpretive release provides guidance on the following topics:

- What information posted by an entity on its Web site is considered "public."
- The liability framework for information included on an entity's Web site.
- The controls and procedures an entity should consider for information it posts on its Web site.
- The format an entity should use for information posted on its Web site, "with the focus on readability, not printability."

NEXT STEPS: Comments on the interpretive release are due by November 5, 2008.

OTHER RESOURCES: A press release announcing the interpretive release is available on the SEC's Web site.

SEC Approves PCAOB's New Rules on Independence and Ethics

AFFECTS: Public companies and their auditors.

SUMMARY: On August 22, 2008, the SEC approved the PCAOB's adoption of Rule 3526 and an amendment to Rule 3523.

Rule 3526 facilitates independence discussions between auditors and audit committees. The new rule requires an accounting firm to communicate all relationships between the firm, the potential client (including any affiliates), and the potential client's personnel (in a financial reporting oversight role) that may affect the accounting firm's independence. The communication should be made in writing to the audit committee, and the effects of the reported items should be discussed with the audit committee of a potential new audit client, **before** the firm can be appointed as the company's auditor. Discussions between the audit committee and the accounting firm should be documented. This documentation should illustrate that the audit committee was well informed about the accounting firm's independence before the firm was hired as the company's auditor.

Once an accounting firm has been appointed as the company's auditor, a similar communication is required annually to reconfirm that no independence-impairing relationships exist between the accounting firm and audit client.

Rule 3523 currently states that an accounting firm would not be independent of an audit client if it provided tax services to the client's personnel in a financial reporting oversight role, or any of their immediate family members, during the audit **and** professional engagement periods. In this context, the audit period is the period covered by the financial statements being audited (i.e., the entity's fiscal year) and the professional engagement period is the period that begins when the firm signs the engagement letter to perform an audit under PCAOB standards or begins audit procedures under that engagement letter (whichever comes first).

In evaluating this rule, the PCAOB concluded that providing tax services to a person in a financial reporting oversight role, or to any of his or her immediate family members, before the beginning of the professional engagement period for a new audit client or an audit client in an "initial public offering" would not necessarily impair the accounting firm's independence; therefore, the PCAOB decided to remove "audit period" from the rule.

NEXT STEPS: Rule 3526 will supersede the Board's interim requirement, Independence Standards Board Standard 1, and became effective on September 30, 2008. The amendment to Rule 3523 became effective on August 22, 2008; however, this rule does not apply to tax services provided on or before December 31, 2008, when the services are provided during the audit period and completed before the beginning of the professional engagement period.

OTHER RESOURCES: Deloitte's April 30, 2008, *Heads Up*.

SEC Approves PCAOB's New Rules on Evaluating Financial Statement Consistency*

AFFECTS: Public companies and their auditors.

SUMMARY: On September 16, 2008, the SEC approved the PCAOB's adoption of Auditing Standard 6. The new standard amends the PCAOB's interim auditing standards to bring them in line with Statement 154 and the FASB Codification.

The new standard and amendments:

- Require auditors to evaluate and report on the consistency of a company's financial statements.
- Require auditors to disclose the reason for an adjustment to previously issued financial statements (i.e., a change in accounting principle or a correction of a misstatement).
- Remove the GAAP hierarchy from the interim auditing standards (since the GAAP hierarchy relates to accounting, rather than auditing, standards).

NEXT STEPS: Auditing Standard 6 will become effective on November 15, 2008.

SEC Clarifies Accounting for Bank Support of Money Market Funds*

AFFECTS: Financial institutions that sponsor money market funds.

SUMMARY: On September 17, 2008, the SEC responded to questions raised regarding the balance sheet accounting for sponsored money market funds. The SEC clarified that a sponsoring financial institution will not be required to present money market funds on the balance sheet if it did not "absorb the majority of the expected future risk associated with the money market fund's assets, including interest rate, liquidity, credit and other relevant risks that are expected to impact the value of the money market fund assets." However, sponsoring institutions should disclose the nature of the support in the financial statements.

Institutions that do absorb the majority of the expected future risk should consult with the SEC regarding appropriate presentation and disclosure in the financial statements.

OTHER RESOURCES: For more information, see the press release on the SEC's Web site.

SEC Advises Registrants to Further Explain Fair Value in MD&A*

AFFECTS: Public entities.

SUMMARY: In September 2008, the SEC's Division of Corporation Finance (the "Division") sent a letter to certain financial institutions concerning MD&A fair value disclosure considerations for their upcoming filings on Form 10-Q. These considerations are in addition to those identified in the Division's March 2008 letter. While the September 2008 letter (the "addendum") was sent to the same financial institutions as the March 2008 letter, the Division has indicated that, like the March 2008 letter, the addendum applies to other organizations.

The addendum is in response to reviews conducted by the SEC as well as roundtables held by the SEC on fair value earlier this summer. The SEC would like companies to consider disclosing:

- When material, how credit risk affected fair value measurements, including the gains or losses recognized on derivative liabilities that are attributable to changes in credit risk.
- How market illiquidity factors into fair value determination.
- Significant judgments used in classifying fair value measurements in the Statement 157 hierarchy.
- How brokers or pricing services are used in developing fair value measurements.

While the two letters do not replace or amend existing GAAP requirements, the SEC believes that the considerations outlined in the letters will provide investors with "clearer and more transparent" disclosures about the registrants' fair value measurements and the methods and assumptions underlying these measurements.

OTHER RESOURCES: Deloitte's September 18, 2008, and March 31, 2008, *Financial Reporting Alerts*.

SEC Updates EDGAR*

AFFECTS: Public entities.

SUMMARY: On September 18, 2008, the SEC adopted rules updating the EDGAR filing system to support the mandatory electronic filing of Form D. The updates include:

- Addition of a new Form D online application.
- Insertion of relevant series and class identifiers in submission types PREM14A, DEFM14A, PREM14C, and DEFM14C.
- Incorporation of conformed name values for certain words.
- Correction of two errors in EDGARLite Form TA-2.

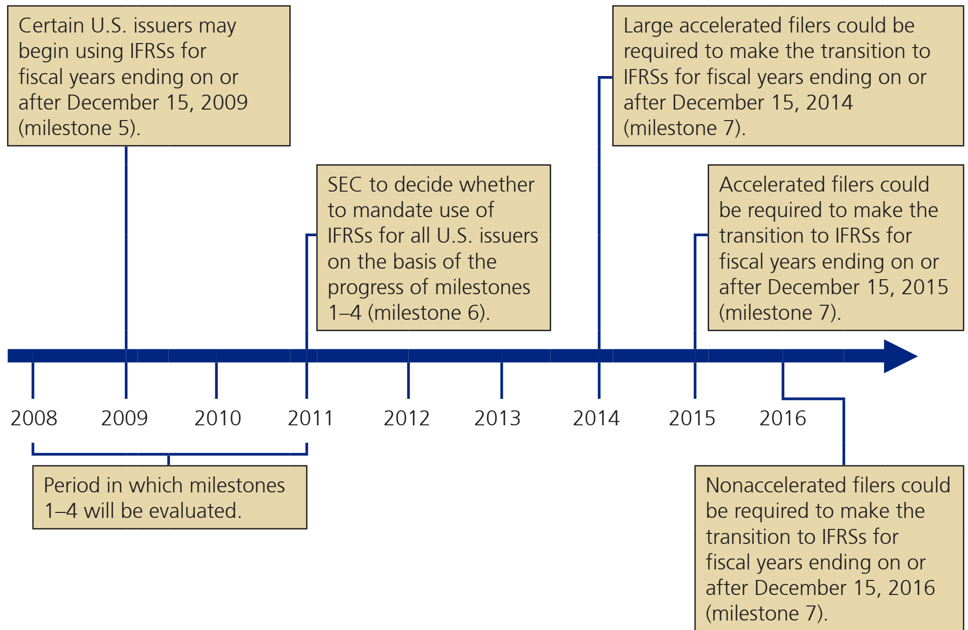
OTHER RESOURCES: The updates became effective on September 24, 2008.

SEC Proposes a Roadmap to the Use of IFRSs

AFFECTS: Public companies and their auditors.

SUMMARY: On August 27, 2008, the SEC decided to issue a proposed IFRS "roadmap." The proposed roadmap acknowledges that IFRSs have the potential to become the global set of high-quality accounting standards and formally proposes a timetable and appropriate milestones that need to be achieved for mandatory transition to IFRSs starting for fiscal years ending on or after December 15, 2014. The following seven milestones were proposed:

1. Improvements in accounting standards (i.e., IFRSs).
2. Funding and accountability of the International Accounting Standards Committee Foundation.
3. Improvement in the ability to use interactive data (e.g., XBRL) for IFRS reporting.
4. Education and training on IFRSs in the United States.
5. Limited early use by eligible entities for fiscal years ending on or after December 15, 2009.
6. Anticipated timing of future rule-making by the SEC.
7. Potential implementation of mandatory use.



Eligibility

The SEC also proposed rule changes that would give certain U.S. issuers the option to use IFRSs in their financial statements filed on Form 10-K for fiscal years ending on or after December 15, 2009. To be eligible for this option, U.S. issuers must meet both of the following criteria:

- The U.S. issuer globally is among the 20 largest companies in its industry, as measured by market capitalization.
- IFRSs, as issued by the IASB, are used as the basis for financial reporting more often than any other basis of accounting by the 20 largest public companies in that industry, as measured by market capitalization on a global basis.

An issuer that meets these criteria and chooses to use IFRSs must prepare its financial statements in accordance with IFRSs as issued by the IASB. In addition, the IFRS financial statements must include three years of audited annual comparative periods in the first year of IFRS reporting for SEC filing purposes, as opposed to the two years of annual comparative periods required under IFRSs.

Companies that elect to use the option must still provide some financial information relating to U.S. GAAP. The proposed rule will request input on the following two alternatives for presenting this information:

- *Alternative A* — The U.S. issuer would provide a one-time reconciliation from U.S. GAAP to IFRSs that covers one year (the year of transition). The reconciliation would appear as a note to the audited financial statements in a manner consistent with the requirements under IFRS 1.
- *Alternative B* — The U.S. issuer would be required to provide, on an ongoing basis, an unaudited reconciliation from IFRSs to U.S. GAAP for the three years of IFRS financial statements included in the Form 10-K.

NEXT STEPS:

In the next few weeks, the SEC will post to its Web site the proposed roadmap and proposed rule changes for public comment. The 60-day comment period will not begin until the documents are published in the *Federal Register*. The SEC is expected to discuss the comments received and decide, before the end of 2008, whether to issue the proposed roadmap and final rule that allows the optional period. For U.S. issuers that would not be eligible to use IFRSs under the proposed rule, the SEC will continue to monitor the progress made and milestones reached over the next few years in preparation for a 2011 decision on mandatory adoption.

OTHER RESOURCES: A press release announcing the SEC's decision is available on the SEC's Web site. Also see Deloitte's August 28, 2008, *Heads Up*.

SEC Proposes Reforms to Credit Rating Process

AFFECTS: Credit rating agencies and entities with instruments rated by credit rating agencies.

SUMMARY: On July 1, 2008, the SEC issued the third and final set of its proposed rules intended to regulate credit rating agencies' conflicts of interest, internal policies, disclosures, and business practices. Part three of the proposed rules would amend existing SEC rules to diminish their reliance on ratings issued by nationally recognized statistical rating organizations (NRSROs). The SEC was concerned that existing rules, in effect, "placed an 'official seal of approval'" on these ratings.

NEXT STEPS: Comments on the third set of the proposed rules were due by September 5, 2008.

OTHER RESOURCES: A press release announcing the proposed rules is available on the SEC's Web site. For information about parts one and two of the proposed rules, see *Accounting Roundup — Second Quarter in Review 2008*.

SEC Issues Report on Examination of Credit Rating Agencies

AFFECTS: Credit rating agencies and entities with instruments rated by credit rating agencies.

SUMMARY: On July 8, 2008, the SEC released a report summarizing the results of its 10-month examination of three credit rating agencies: Fitch Rating Ltd., Moody's Investor Services Inc., and Standard & Poor's Ratings Services. The primary purposes of the examination were to assess these agencies' adherence to their published methods on how they rate mortgage-backed securities (including subprime residential mortgage-backed securities and associated collateralized debt obligations) and to identify conflicts of interest that may affect their ratings procedures. The report indicates that, in addition to better managing conflicts of interest, agencies need to improve their (1) disclosure and documentation of ratings procedures, (2) implementation of new policies, (3) surveillance practices, and (4) internal audit processes.

NEXT STEPS: The SEC has proposed three rules on reforms to the credit rating process. See "SEC Proposes Reforms to Credit Rating Process" article above.

SEC Financial Reporting Advisory Committee Releases Final Report*

AFFECTS: All entities.

SUMMARY: On August 1, 2008, CIFiR released a final report summarizing its 25 recommendations for reducing complexity in financial reporting and increasing the usefulness of financial information provided to investors.

CIFiR's recommendations cover various processes that affect U.S. public companies (e.g., standard setting, regulatory oversight, and delivery of financial information). Key themes underlying the recommendations include:

- "Increasing the usefulness of information in SEC reports.
- Enhancing the accounting standards-setting process.
- Improving the substantive design of new accounting standards.

- Delineating authoritative interpretive guidance.
- Clarifying guidance on financial restatements and accounting judgments."

The following recommendations, if implemented, are likely to result in significant and immediate change to the financial reporting system:

- Increase investor input in standard setting.
- Create a financial reporting forum.
- Conduct post-adoption effectiveness reviews of new FASB standards.
- Reduce the number of restatements by:
  - o Modifying how the materiality of an error is assessed.
  - o Changing how errors are corrected.
- Increase the exercise of professional judgment.
- Phase in the adoption of XBRL.
- Use executive summaries in annual and quarterly reports.

NEXT STEPS: The SEC has already implemented some of these recommendations and is expected to act on others in the near future. The FASB and PCAOB are also expected to study the Committee's report and act on its proposals soon.

OTHER RESOURCES: Deloitte's February 19, 2008, and August 1, 2008, *Heads Ups*.

SEC Announces Replacement of EDGAR

AFFECTS: Public entities.

SUMMARY: On August 19, 2008, the SEC previewed a new system, Interactive Data Electronic Applications (IDEA), which will initially supplement, but eventually replace, EDGAR, the SEC filing database. The SEC expects that the new system will allow investors and other financial statement users to more quickly and easily (1) gather financial information and (2) create reports and other analyses.

SEC and Federal Reserve Board Sign Memorandum of Understanding

AFFECTS: All entities.

SUMMARY: On July 7, 2008, the SEC signed a Memorandum of Understanding (MOU) with the Federal Reserve Board. The MOU outlines how the two agencies can enhance their oversight of U.S. financial systems by improving their information sharing and better coordinating their activities.

OTHER RESOURCES: A press release announcing the MOU is available on the SEC's Web site.

SEC Holds Roundtable on Fair Value

AFFECTS: All entities.

SUMMARY: On July 9, 2008, the SEC hosted a roundtable about the benefits and potential challenges associated with fair value accounting and auditing standards. The roundtable consisted of two panels: (1) larger financial institutions and (2) all public companies. Key highlights from the discussions included the following:

- The consensus of both panels was that fair value is the most relevant measure for financial instruments and is widely preferred by investors.
- Panelists stressed the need for high-quality, comprehensive disclosures about fair value measurements.
- Panelists indicated that it is difficult to value assets in the absence of markets.
- Most panelists supported the concept of incorporating an entity's own risk into fair value liabilities.
- In his closing remarks, SEC Chairman Christopher Cox indicated that the SEC and FASB may issue additional guidance to assist with the implementation of Statement 157.

OTHER RESOURCES: See "FASB and SEC Clarify Fair Value Measurement" article above.

SEC Holds Fourth Roundtable on IFRSs

AFFECTS: Public entities.

SUMMARY: On August 4, 2008, the SEC hosted a roundtable about IFRSs and recent developments. The roundtable focused on experiences with applying IFRSs during the current financial crisis and the transition to one set of high-quality accounting standards.

A key message of panelists was that IFRSs have held up quite well in the face of recent market turmoil. Some panelists believed that IFRSs have even outperformed U.S. GAAP in many areas, such as off-balance-sheet transactions involving special-purpose entities, and have resulted in more robust, transparent disclosures. The following are other important messages from the roundtable:

- Improvement is needed to the fair value reporting requirements under both IFRSs and U.S. GAAP. Some panelists specifically pointed to the requirement under Statement 157 for an entity to consider its own credit standing when determining the fair value of its liabilities, and the resulting effect on the income statement.
- Improving revenue recognition guidance under IFRSs should be a priority for standard setters.
- Consistent application of accounting standards and financial statement presentation are important to investors.
- The transition to IFRSs gives companies the opportunity to reassess their accounting policies and disclosures to ensure that their accounting reflects the true economics of the transactions and that their financial statements are sufficiently transparent.

NEXT STEPS: The SEC has proposed the issuance of a roadmap that provides guidance on an impending transition to IFRSs. See the related article "SEC Proposes a Roadmap to the Use of IFRSs."

OTHER RESOURCES: More information about the roadmap is available on the SEC's Web site. Also see Deloitte's August 5, 2008, *Heads Up*.

PCAOB Developments

PCAOB Adopts New Auditor Registration Rule

AFFECTS: Accounting firms registered with the PCAOB.

SUMMARY: On July 29, 2008, the PCAOB announced its adoption of a new rule that would allow a public accounting firm to maintain its registered status with the PCAOB after a merger, acquisition, or other change in legal status. Firms will be required to file a new form with the PCAOB that contains certain information about and representations regarding the planned event. According to PCAOB Chairman Mark Olson, "Today's action will allow for registered firms — in appropriate and well defined circumstances — to provide audit services without a break in their PCAOB registration status when there has been some change in their legal form. The rules would provide flexibility that is important given the serious implications of a firm operating without registration."

NEXT STEPS: The rule will be submitted for SEC approval and will be effective 60 days after SEC approval. The firms will be subject to the special reporting obligations 90 days after SEC approval, and the first annual reporting requirements will be due by June 30, 2009, for the 12-month period ending March 31, 2009.

GASB Developments

GASB Proposes Guidance on Postemployment Benefits

AFFECTS: State and local governmental entities.

SUMMARY: On July 17, 2008, the GASB issued a proposed technical bulletin that provides guidance on the requirements of GASB Statements 27 and 45 for calculating an annual required contribution adjustment. The guidance clarifies that when the annual required contribution "includes a known amount related to the amortization of past employer contribution deficiencies or excess contributions to a pension or other postemployment benefit . . . plan," the adjustment should reflect the known amount. The technical bulletin explains that both statements permit governmental entities to use estimates unless the actual amount is known.

The technical bulletin would be effective for financial statements for periods ending after December 15, 2008.

NEXT STEPS: Comments on the proposed technical bulletin were due by September 30, 2008.

GASB Proposes Guidance on Voluntary Reporting of SEA Performance

AFFECTS: State and local governmental agencies.

SUMMARY: The GASB issued a request for response on proposed suggested guidelines for voluntary reporting of SEA performance information. The purpose of the project is to establish a conceptual structure for reporting by governmental entities that effectively communicates SEA. The proposal establishes four elements of an SEA report:

- *Purpose and scope* — Who the report is for, what it is, why it was created, and how it can be used.
- *Major goals and objectives* — The programs and services offered by the agencies, their objectives, and whether the objectives were achieved or not achieved.
- *Key measures of SEA performance* — The focus should be on measures that are important to the report's users.
- *Discussion and analysis of results and challenges* — A written discussion and analysis from management that discusses the agencies' performance should be included.

NEXT STEPS: Comments on the proposal are due by October 31, 2008. A user forum is scheduled for November 7, 2008, in New York City, and a hearing is scheduled for November 14, 2008, in Orlando, Florida.

OTHER RESOURCES: A press release announcing the proposal is available on the GASB's Web site.

GASB Proposes Inclusion of AICPA Guidance in GASB Literature*

AFFECTS: State and local governmental agencies.

SUMMARY: On August 28, 2008, the GASB issued the following two Exposure Drafts (EDs), which propose the transfer of certain AICPA auditing guidance to GASB accounting literature:

- *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* — Proposes the incorporation of accounting guidance on related-party transactions, subsequent events, and going-concern considerations.
- *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* — Proposes the incorporation of the GAAP hierarchy as described in SAS 69.

Although the AICPA guidance will not substantively change, the GASB has proposed making a few edits to adapt it for use by state and local governments. .

NEXT STEPS: Comments on both EDs are due by October 30, 2008.

OTHER RESOURCES: A press release announcing the EDs is available on the GASB's Web site.

FASAB Developments

FASAB Issues Exposure Draft on Fiscal Sustainability Reporting*

AFFECTS: Federal entities.

SUMMARY: On September 2, 2008, the FASAB issued for public comment an Exposure Draft (ED) on fiscal sustainability reporting by federal entities. The ED proposes that the consolidated financial report of the U.S. government disclose the following information on the face of the balance sheet or in accompanying footnotes:

- "[T]he present value of projected receipts and spending for all activities of the federal government" and how this amount compares with projected GDP and prior-year receipts and spending.
- The fiscal gap.
- Projected trends in the "federal budget deficit or surplus and the federal debt," how these amounts compare with GDP, and any factors affecting the trends.
- Assumptions involved when long-term projections are made, and any significant changes from period to period.

NEXT STEPS: Comments on the ED are due by January 5, 2009. A public hearing will subsequently be held in February 2009.

OTHER RESOURCES: A press release announcing the ED is available on the FASAB's Web site.

International Developments

IASB Issues Additional Guidance on Hedge Accounting

AFFECTS: Entities reporting under IFRSs that engage in derivative and hedging activities.

SUMMARY: On July 31, 2008, the IASB issued amendments to IAS 39. The amendments focus on two areas in which hedge accounting has been inconsistent: (1) identifying inflation as a hedged risk or portion and (2) hedging with options.

Identifying Inflation as a Hedged Risk or Portion

The amendments clarify that inflation may be hedged only when changes in inflation constitute a contractually specified portion of cash flows of a recognized financial instrument and other cash flows of the financial instrument "are not affected by the inflation portion" (e.g., when an entity acquires or issues inflation-linked debt). In such circumstances, the entity's cash flows are exposed to changes in future inflation that may be cash-flow-hedged. Therefore, the amendments do not permit an entity to designate an inflation component of issued or acquired fixed-rate debt in a fair value hedge because the IASB considers such a component not separately identifiable and reliably measurable.

The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument will normally be separately identifiable and reliably measurable and therefore may be hedged.

Hedging With Options

IAS 39 permits an entity to designate a purchased (or net purchased) option as a hedging instrument in a hedge of a financial or nonfinancial item. An entity may designate an option as a hedge of "changes in the cash flows or fair value of a hedged item above or below a specified price or other variable (a one-sided risk)."

The amendments clarify that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, that an option designated in its entirety cannot be perfectly effective. The time value of a purchased option is not a component of the forecasted transaction that affects profit or loss. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a hedge of a forecasted transaction, ineffectiveness will arise. Alternatively, an entity is permitted by IAS 39 to exclude time value to improve hedge effectiveness. As a result of this designation, changes in the time value of the option will be recognized in profit and loss.

NEXT STEPS: The amendments are effective retrospectively for annual periods beginning on or after July 1, 2009. Earlier adoption is permitted.

OTHER RESOURCES: A press release announcing the amendments is available on the IASB's Web site.

IFRIC Issues Interpretation on Construction of Real Estate

AFFECTS: Entities reporting under IFRSs that construct rental units.

SUMMARY: On July 3, 2008, the IFRIC issued Interpretation 15, which helps entities that construct rental units, such as apartments or houses, determine whether a particular construction agreement is within the scope of IAS 11 or IAS 18. At issue is whether such an agreement constitutes a construction contract under IAS 11. If so, an entity should use the percentage-of-completion method to recognize revenue. If not, the entity should account for the agreement under IAS 18, which requires that revenue be recognized upon delivery of a good or service.

NEXT STEPS: The Interpretation is effective retrospectively for annual periods beginning on or after January 1, 2009.

OTHER RESOURCES: A press release announcing the Interpretation is available on the IASB's Web site. For a summary of the Interpretation, see Deloitte's IAS Plus Web site. Also see Deloitte's Special Edition *IAS Plus* Newsletter — IFRIC 15.

IFRIC Issues Interpretation on Hedges of a Net Investment in a Foreign Operation

AFFECTS: Entities reporting under IFRSs that hedge the foreign currency risk arising from a net investment in a foreign operation.

SUMMARY: On July 3, 2008, the IFRIC issued Interpretation 16, which provides guidance on which risks are eligible for hedge accounting for a net investment in a foreign operation. Existing hedge accounting guidance in IAS 21 and IAS 39 does not explicitly address this topic.

IFRIC 16 clarifies the following:

- The foreign exchange difference between the functional currency of the foreign operation and the presentation currency used in the consolidated financial statements of the parent entity does not qualify for hedge accounting. The eligible risk is restricted to the foreign exchange differences between the functional currency of the parent and the functional currency of the foreign operation.
- Any entity within the group may hold the hedging instrument.
- On the disposal or partial disposal of a foreign operation, exchange differences arising on a hedging instrument are reclassified to profit or loss in accordance with IAS 39. Exchange differences on the hedged item are reclassified in accordance with IAS 21.

NEXT STEPS: The Interpretation is effective prospectively for annual periods beginning on or after October 1, 2008.

OTHER RESOURCES: A press release announcing the Interpretation is available on the IASB's Web site. For a summary of the Interpretation, see Deloitte's IAS Plus Web site. Also see Deloitte's Special Edition *IAS Plus* Newsletter — IFRIC 16.

IASB Issues Proposed Amendments to IAS 33 on Earnings per Share

AFFECTS: Entities reporting under IFRSs.

SUMMARY: On August 7, 2008, the IASB issued amendments to IAS 33. The amendments focus on eliminating differences between IAS 33 and Statement 128 and provide more detailed guidance on calculating the weighted-average number of shares and profit or loss in EPS calculations.

The amendments propose that:

- Only instruments that give holders a right to share in profits or losses should be included in the calculation of weighted-average number of shares for basic EPS.
- Gross physically settled contracts to repurchase shares and mandatorily redeemable shares should be excluded from the EPS calculation.
- Instruments that are measured at fair value through profit or loss should not be included in the diluted EPS calculation.

NEXT STEPS: The effective date of the proposed amendments is pending subject to board approval. Comments on the proposed statement are due by December 5, 2008.

OTHER RESOURCES: For more information, see the August 2008 — Special Edition of Deloitte Touche Tohmatsu's *IAS Plus* newsletter, which discusses the amendments in more detail. Also see "FASB Issues Revised Exposure Draft on Earnings per Share" article above.

IASB Issues Proposed Amendments to Eight IFRSs

AFFECTS: Entities reporting under IFRSs.

SUMMARY: On August 7, 2008, the IASB issued an Exposure Draft (ED) of proposed amendments to eight IFRSs. The amendments reflect the result of the IASB's annual review of IFRSs and are considered minor. The IASB selected standards that were not included in current projects and that would not otherwise be reviewed. The following table lists the IFRSs and the nature of the proposed amendments:

IFRS	Nature of Amendment
IFRS 2	Clarification of the scope of IFRS 2 and IFRS 3 (revised).
IFRS 5	Clarification of disclosure requirements for noncurrent assets (or disposal groups) classified as held for sale or discontinued operations.
IFRS 8	Clarification of disclosure requirements for information about segment assets.
IAS 7	Clarification of the cash flow classification of expenditures on unrecognized assets and recognized assets.
IAS 18	Clarification of whether an entity is acting as a principal or as an agent.
IAS 36	Clarification of the largest unit (i.e., an operating segment) of accounting for the goodwill impairment test.
IAS 38	Clarification of: • The effects of IFRS 3 amendments on accounting for intangible assets acquired in a business combination. • Valuation techniques to measure the fair value of an intangible asset acquired in a business combination.
IAS 39	Clarification of: • The scope exemption for business combination contracts. • The application of the fair value option. • Cash flow hedge accounting. • The bifurcation of an embedded foreign currency derivative.

NEXT STEPS: Most of the improvements would be effective for annual periods beginning on or after January 1, 2010, with early adoption permitted. Comments on the ED are due by November 7, 2008.

OTHER RESOURCES: For more information, see the August 2008 — Special Edition of Deloitte Touche Tohmatsu's *IAS Plus* newsletter, which discusses the amendments in more detail.

IASB Issues Exposure Draft on Discontinued Operations*

AFFECTS: Entities reporting under IFRSs.

SUMMARY: On September 25, 2008, the IASB issued for comment an ED that would amend the definition of a discontinued operation. The ED would define a discontinued operation as "*an operating segment* (as that term is defined in IFRS 8) [that] either has been disposed of or is classified as held for sale," or "is a *business* (as that term is defined in IFRS 3, *Business Combinations* (as revised in 2008)) that meets the criteria to be classified as held for sale on acquisition." In addition, the ED proposes disclosure requirements for components of an entity that have been disposed of or have been classified as held for sale

The ED constitutes part of the IASB's joint project with the FASB (which has proposed similar amendments) to converge the accounting and disclosures associated with discontinued operations.

NEXT STEPS: Comments on the ED are due by January 23, 2009.

OTHER RESOURCES: A press release announcing the ED is available on the IASB's Web site. Also see "FASB Issues Proposed FSP on Discontinued Operations" above.

IASB Issues Exposure Draft on IFRS 1 Exemptions*

AFFECTS: Entities reporting under IFRSs for the first time.

SUMMARY: On September 25, 2008, the IASB issued an ED for comment on additional exemptions for first-time adopters. These exemptions include the following:

- Oil and gas assets reported using the full cost accounting model under these entities' previous GAAP.
- Certain costs capitalized under previous GAAP as property, plant, and equipment for use in regulated operations, which are not eligible for capitalization under IFRSs.
- An arrangement that contains a lease accounted for under previous GAAP when the method is comparable to that of IFRIC 4. Reassessment of leases is not required as of the date of adopting IFRSs.

NEXT STEPS: Comments on the ED are due by January 23, 2009.

OTHER RESOURCES: A press release announcing the ED is available on the IASB's Web site.

IFAC Reissues Auditing Standard on Related Parties

AFFECTS: Auditors.

SUMMARY: On July 14, 2008, IFAC's International Auditing and Assurance Standards Board issued ISA 550 (Revised and Redrafted) on related parties. The revised standard clarifies what a related party is for audit purposes and auditors' responsibilities for appropriate related-party audit procedures. These responsibilities include understanding the nature of related-party relationships and transactions and obtaining adequate support for the entity's accounting and disclosure.

NEXT STEPS: ISA 550 is effective for audits of financial statements for periods beginning on or after December 15, 2009.

IFAC Issues Exposure Draft of IPSAS 5 on Borrowing Costs*

AFFECTS: Public-sector entities.

SUMMARY: On September 3, 2008, the IFAC issued an ED of proposed changes to IPSAS 5. Under the ED, borrowing costs would be immediately recognized as an expense. The ED further proposes an option to capitalize borrowing costs when the costs are incurred in connection with the "acquisition, construction or production of a qualifying asset." The proposed amendment is a departure from the requirements of IAS 23.

NEXT STEPS: Comments on the ED are due by January 7, 2009.

OTHER RESOURCES: A press release announcing the ED is available on the IFAC's Web site.

IFAC Issues Proposal on Code of Ethics for Accountants

AFFECTS: Accounting professionals.

SUMMARY: On July 15, 2008, IFAC's International Ethics Standards Board issued an ED proposing changes to the Code of Ethics for Professional Accountants. The changes are expected to make the Code clearer and easier to understand. The following changes or additions have been proposed:

- Wording clarifying the Code's requirements.
- Guidance on exceptions to or departures from the Code's requirements.
- Examples of "threats" that may prevent compliance with the Code.
- Definition of the term "clearly insignificant" with respect to the threats identified.

NEXT STEPS: Comments on the ED are due by October 15, 2008.

IASC Foundation Issues Discussion Document on Constitution Review

AFFECTS: Entities reporting under IFRSs.

SUMMARY: On July 21, 2008, the IASC Foundation, the legal entity under which the IASB operates, issued a discussion document on the issues to be addressed during its second Constitution Review. The discussion document outlines the following two proposals:

- *Creation of a Monitoring Group* — This group, which would be responsible for supervising and regulating the IASB, would consist of seven representatives of securities regulators (i.e., the EC, the IMF, IOSCO, the Japan Financial Services Agency, the SEC, and the World Bank). The group would approve trustee appointments after a nomination process and would review trustee oversight activities, including adherence to due process in setting accounting standards and monitoring the adequacy of the annual funding arrangements and the overall budget.
- *Expansion of IASB to 16 Members From the Present 14* — This proposed increase would take place no later than July 1, 2012. The members should be qualified professionals with strong knowledge of, and practical experience with, technical accounting and reporting. Up to three of the members could be part-time. In addition, a geographical balance should be maintained — four members will come from the Asia-Oceanic region, four from Europe, four from North America, one from Africa, one from South America, and two from any area (provided that an overall geographical balance is maintained).

NEXT STEPS: Comments on the discussion document were due by September 20, 2008. The Foundation expects to complete this portion of the Constitution Review in October 2008, with changes taking effect on January 1, 2009.

OTHER RESOURCES: A press release announcing the discussion document is available on the IASB's Web site.

IASB Issues Draft Document From Expert Advisory Panel*

AFFECTS: Entities reporting under IFRSs.

SUMMARY: In a September 16, 2008, press release, the IASB provided an update on the various projects it has undertaken in response to the credit crisis. As part of the fair value measurement project, the IASB released a draft document summarizing discussions held by its expert advisory panel on practices used to measure and disclose fair value in inactive markets. The draft document includes examples of these measurement processes and disclosures.

NEXT STEPS: Comments on the draft document were due by October 3, 2008. These comments will be discussed at the panel's next meeting in October 2008 and a final version of the document will be posted to the IASB's Web site shortly.

Other Developments

U.S. Treasury Advisory Committee Issues Final Report on Auditing Profession*

AFFECTS: All public entities and their auditors.

SUMMARY: On September 26, 2008, the U.S. Treasury Department's Advisory Committee issued a final report. The report includes 30 recommendations on three key topics:

- "Improving accounting education and strengthening human capital;
- Enhancing auditing firm governance, transparency, responsibility, communications, and audit quality; and
- Increasing audit market competition and auditor choice."

NEXT STEPS: The PCAOB will take into consideration those recommendations that are relevant to the its oversight responsibilities.

OTHER RESOURCES: A press release announcing the final report is available on the Treasury's Web site.

GAO and PCIE Issue Revised Financial Audit Manual

AFFECTS: Auditors of state and local governments.

SUMMARY: On July 28, 2008, the GAO and PCIE issued their revised Financial Audit Manual, which had not been updated since July 2004. The revisions were in response to changes in the financial reporting system of the federal government, as well as changes in the accounting and auditing standards issued by the AICPA, the GAO, and FASAB. The manual contains three volumes:

- *Volume 1* — Audit method (i.e., planning, internal controls, testing, and reporting).
- *Volume 2* — Audit tools.
- *Volume 3* — Accounting, reporting, and disclosure checklists.

NEXT STEPS: The manual is effective for audits of financial statements for fiscal years ending on or after September 30, 2008.

Appendix A: Recent Meetings

Recent FASB Meetings

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

September 3, 2008

No Board meeting was held.

September 10, 2008

No Board meeting was held.

September 18, 2008

The Board discussed the following topic:

- Mergers and Acquisitions by an NPO.

September 24, 2008

The Board discussed the following topics:

- Revenue Recognition.
- Contingency Disclosures.
- Mergers and Acquisitions by an NPO.
- Disclosures About Plan Assets.
- FASB Ratification of EITF Consensuses and Tentative Conclusions.

FASB Project Summaries and Meeting Minutes

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

Recent EITF Meetings

September 10, 2008

The EITF discussed the following topics:

- Issue 08-1.
- Issue 08-5.
- Issue 08-6.
- Issue 08-7.
- Issue 08-8.
- EITF Abstracts, Topic D-98.

The meeting materials and minutes are available on the FASB's Web site.

The next meeting is scheduled for November 12–13, 2008.

Recent ASB Meetings

No ASB meeting was held in September 2008. The next meeting is scheduled for October 27–30, 2008.

Recent AcSEC Meetings

September 23–24, 2008

The AcSEC discussed the following topics:

- Health Care Guide.
- Oil and Gas Guide.
- NPO Guide.
- Conceptual Framework ED and Preliminary Views.
- Real Estate Funds.
- Chair's Report (Including SEC Proposed IFRS Roadmap).

The agenda is available on the AICPA's Web site.

The next meeting is scheduled for November 18–19, 2008.

Recent FASAB Meetings

No FASAB meeting was held in September 2008. The next meeting is scheduled for October 22–23, 2008.

Recent GASB Meetings

September 9, 2008 (Teleconference)

The GASB discussed the following topics:

- Accounting and Financial Reporting for Postemployment Benefits.
- Public/Private Partnerships.

September 24–26, 2008

The GASB discussed the following topics:

- Fund Balance Reporting.
- Public/Private Partnerships.
- Conceptual Framework — Recognition and Measurement Attributes.
- Service Efforts and Accomplishments Reporting.
- Postemployment Benefits Accounting and Financial Reporting.
- Reporting Unit Presentations/Statement 14 Reexamination.

Agendas are available on the GASB's Web site.

The next meeting is scheduled for November 4–6, 2008.

Recent IASB Meetings

September 16–19, 2008

The IASB discussed the following topics:

- Amendments to IAS 24.
- Annual Improvements.
- Credit Crisis: Proposed Amendments to Disclosure Requirements.
- ED of Proposed Amendments to IFRS 2 and IFRIC 11.
- Expert Advisory Panel on Valuing Financial Instruments in Markets That Have Become Inactive.
- Extractive Activities Research Project.
- Fair Value Measurement.
- Financial Instruments With Characteristics of Equity.
- First-time Adoption of IFRSs (Amendments to IFRS 1).
- IFRIC Update.
- Insurance Contracts.
- IFRS 2.
- IFRSs for Private Entities (Formerly IFRSs for SMEs).
- Revenue Recognition.

The agenda is available on the IASB's Web site. Also see the IASB update on the IASB's Web site.

The next IASB meeting is scheduled for October 13–17, 2008.

Recent IFRIC Meetings

September 4–5, 2008

The IASB discussed the following topics:

- D24.
- D23.
- Recognition of Lease Expense Under an Operating Lease.
- Accounting for Trailing Commissions.
- Transaction Costs to Be Deducted From Equity.
- Customer-Related Intangible Assets.
- Restricted Securities.
- Application to Prepaid Employer's Contribution Reserve.
- Regulatory Assets and Liabilities.
- IFRIC Work in Progress.

See the IASB update on the IASB's Web site.

The next IFRIC meeting is scheduled for November 6–7, 2008.

Appendix B: Significant Adoption Dates and Deadlines

The chart below illustrates significant adoption dates and deadline dates for the FASB, EITF, AICPA/AcSEC, SEC, PCAOB, GASB/GAO, FASAB, and IASB/IFRIC. Content recently added or revised is highlighted in green.

FASB	Affects	Status
Significant Adoption Dates		
Statement 163, *Accounting for Financial Guarantee Insurance Contracts* — an interpretation of FASB Statement No. 60	Entities within the scope of Statement 60 that issue financial guarantee insurance (and reinsurance) contracts.	Effective for financial statements issued for fiscal years beginning after December 15, 2008 (and all interim periods within those fiscal years), except for some disclosures about the insurance enterprise's risk-management activities and claim liabilities. Requires that disclosures about the risk-management activities of the insurance enterprise and its claim liabilities be effective for the first period (including interim periods) beginning after the Statement's issuance. Except for those disclosures, early application is not permitted.
Statement 162, *The Hierarchy of Generally Accepted Accounting Principles*	All nongovernmental entities that apply U.S. GAAP.	Effective 60 days following the SEC's approval of the PCAOB's amendments to AU Section 411, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles.
Statement 161, *Disclosures About Derivative Instruments and Hedging Activities* — an amendment of FASB Statement No. 133	All entities.	Effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged.
Statement 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51	All entities that prepare consolidated financial statements, except not-for-profit organizations.	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. Early adoption is prohibited.
Statement 159, *The Fair Value Option for Financial Assets and Financial Liabilities* — including an amendment of FASB Statement No. 115	All entities. Most provisions only apply to entities that elect the fair value option, but the amendments to Statement 115 apply to entities with available-for-sale and trading securities.	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, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R)	All employers with defined benefit pension or other postretirement plans.	Recognition of the asset and liability related to funded status of a plan and disclosures: • 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. Early adoption is permitted.
Statement 157, *Fair Value Measurements*	All entities.	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. FSP FAS 157-2 defers the Statement's effective date for certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008, and interim periods within those years.
Statement 141(R), *Business Combinations*	All entities except not-for-profit organizations, combinations between entities under common control, and formations of joint ventures.	Effective prospectively for fiscal years beginning on or after December 15, 2008. Early adoption is prohibited.

Interpretation 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109	All entities with tax positions accounted for under FASB Statement 109, *Accounting for Income Taxes*.	For public entities, effective for fiscal years beginning after December 15, 2006. For all other entities, FSP FIN 48-2 defers the effective date until fiscal years 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"	All employers with defined benefit pension plans or other postretirement plans.	Effective concurrently with the requirements of Statement 158.
FSP FAS 157-2, "Effective Date of FASB Statement No. 157"	All entities.	Effective February 12, 2008.
FSP FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13"	All entities.	Effective upon the initial adoption of Statement 157.
FSP FAS 142-3, "Determination of the Useful Life of Intangible Assets"	All entities with intangible assets.	Effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The guidance on determining the useful life of a recognized intangible asset must be applied prospectively only to intangible assets acquired after the FSP's effective date. Disclosure requirements are applied prospectively.
FSP FAS 140-3, "Accounting for Transfers of Financial Assets and Repurchase Financing Transactions"	Entities that enter into repurchase financing transactions.	Effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Early application is not permitted.
FSP FAS 133-1 and FIN 45-4, "Disclosures About Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161"	Sellers of credit derivatives and guarantors.	The provisions of the FSP that amend Statement 133 and Interpretation 45 are effective for reporting periods (annual or interim) ending after November 15, 2008. Early application is encouraged to provide comparatives at initial adoption. The clarification of the effective date of Statement 161 is effective on September 12, 2008.
FSP FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds"	Not-for-profit organizations.	Effective for fiscal years ending after December 15, 2008. Earlier application is permitted provided that annual financial statements for that fiscal year have not been previously issued.
FSP FIN 48-2, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises"	Nonpublic entities.	Effective February 1, 2008.
FSP FIN 48-1, "Definition of *Settlement* in FASB Interpretation No. 48"	All entities with tax positions accounted for under FASB Statement No. 109, *Accounting for Income Taxes*.	Effective upon the initial adoption of Interpretation 48.
FSP FIN 46(R)-7, "Application of FASB Interpretation No. 46(R) to Investment Companies"	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, *Investment Companies*, until the date that the investment company initially adopts 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.* 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), *Consolidation of Variable Interest Entities*, states that "[i]nvestments accounted for at fair value in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide, *Investment Companies*, 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"	Any entity that is a party to a master netting arrangement.	Effective for fiscal years beginning after November 15, 2007, with retrospective application as a change in accounting principle. Early application is permitted.

FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities"	Entities with share-based payments.	Effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Prior-period EPS data must be adjusted retrospectively. Early adoption is not permitted.
FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)"	All entities with convertible debt instruments.	Effective for financial statements issued for fiscal years (and interim periods within these fiscal years) beginning after December 15, 2008. Early adoption is not permitted. The FSP should be applied retrospectively to all past periods presented — even if the instrument has matured, has been converted, or has otherwise been extinguished.
FSP SOP 07-1-1, "Effective Date of AICPA Statement of Position 07-1"	Companies that hold investments, including investments in equity securities, commodities, securities based on indices, derivatives, and real estate, as well as parent companies and equity method investors in investment companies.	Effective as of December 15, 2007. Indefinitely delays the effective date of SOP 07-1.
FSP SOP 94-3-1 and AAG HCO-1, "Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations"	Not-for-profit organizations.	Effective for fiscal years beginning after June 15, 2008, and for interim periods therein. The FSP should be applied prospectively to all relationships, arrangements, and interests that exist on the effective date. If the application of the FSP results in an NPO's changing its accounting (e.g., a change from cost method to equity method accounting for an investment in a for-profit partnership), a cumulative-effect adjustment is required at adoption.
FSP SOP 90-7-1, "An Amendment of AICPA Statement of Position 90-7"	Entities emerging from bankruptcy.	Effective for financial statements issued after the FSP's issuance date (April 24, 2008).
Implementation Issue E23, "Issues Involving the Application of the Shortcut Method Under Paragraph 68"	Entities with derivative instruments.	Effective for hedging relationships designated on or after January 1, 2008.
Projects in Request-for-Comment Stage		
Proposed FSP FAS 157-d, "Determining the Fair Value of a Financial Asset in a Market That Is Not Active"	All entities.	Comments due October 9, 2008.
Proposed FSP FAS 140-e and FIN 46(R)-e, "Disclosures About Transfers of Financial Assets and Interests in Variable Interest Entities"	All entities.	Comments due October 15, 2008.
Proposed Statement, *Accounting for Transfers of Financial Assets* — an amendment of FASB Statement No. 140	All entities.	Comments due November 14, 2008.
Proposed Statement, *Amendments to FASB Interpretation No. 46(R)*	All entities.	Comments due November 14, 2008.
Exposure Draft, *Earnings per Share* — an amendment of FASB Statement No. 128	All entities.	Comments due December 5, 2008.
Proposed FSP FAS 144-d, "Amending the Criteria for Reporting a Discontinued Operation"	All entities.	Comments due January 23, 2009.
EITF	**Affects**	**Status**
Significant Adoption Dates		
Issue 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value With a Third-Party Credit Enhancement"	Entities that incur liabilities that have inseparable third-party credit enhancements, when the liability is measured or disclosed at fair value.	Effective beginning in the first reporting period after December 15, 2008. This Issue is to be applied prospectively, with the effect of initial application included in the change in fair value of the liability in the period of adoption. Early application is not permitted.
Issue 08-4, "Transition Guidance for Conforming Changes to Issue No. 98-5"	Entities that issue convertible debt securities and convertible preferred stock.	Effective for financial statements issued for fiscal years ending after December 15, 2008, with early adoption permitted. The impact of applying the conforming changes, if any, must be presented retrospectively for all periods presented, with a cumulative-effect adjustment to retained earnings as of the beginning of the first period presented.
Issue 08-3, "Accounting by Lessees for Maintenance Deposits Under Lease Arrangements"	Entities that are lessees.	Effective for fiscal years beginning after December 15, 2008 (and interim periods within these fiscal years). The Issue must be applied by recognizing the cumulative effect of the change in accounting principle in the opening balance of retained earnings as of the beginning of the fiscal year in which the Issue is initially applied. Earlier application is not permitted.

Issue 07-6, "Accounting for the Sale of Real Estate Subject to the Requirements of FASB Statement No. 66 When the Agreement Includes a Buy-Sell Clause"	Entities subject to the provisions of Statement 66.	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.
Issue 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock"	Entities with derivative instruments.	Effective for fiscal years beginning after December 15, 2008 (and interim periods within these fiscal years). The Issue must be applied to outstanding instruments as of the beginning of the fiscal year in which the Issue is adopted as a cumulative-effect adjustment to the opening balance of retained earnings for that fiscal year. Earlier application is not permitted.
Issue 07-4, "Application of the Two-Class Method Under FASB Statement No. 128 to Master Limited Partnerships"	Master limited partnerships.	Effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted. This Issue should be applied retrospectively for all financial statements presented.
Issue 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities"	Entities engaged in 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 07-1, "Accounting for Collaborative Arrangements"	Entities participating in collaborative arrangements.	This Issue is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.
Issue 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards"	Entities with share-based payment arrangements with dividend protection features.	Apply prospectively to the income tax benefits from dividends declared on affected securities in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years.
Issue 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements"	Entities that purchase life insurance.	Effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years.
Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"	Entities that purchase life insurance.	Effective for fiscal years beginning after December 15, 2007.
Projects in Request-for-Comment Stage		
Proposed EITF Consensus, EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations"	Entities that acquire or hold investments accounted for under the equity method.	Comments due October 22, 2008.
Proposed EITF Consensus, EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets"	Entities that will acquire intangible assets after the effective date of Statement 141(R), when the acquirer has no intention of using, or intends to discontinue use of, the intangible asset but holds it (locks it up) to prevent competitors from obtaining any benefit from it (i.e., a defensive intangible asset).	Comments due October 22, 2008.
Proposed EITF Consensus, EITF Issue No. 08-8, "Accounting for an Instrument (or an Embedded Feature) With a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary"	Entities that enter into freestanding financial instruments (or instruments that contain embedded features) for which the payoff to the counterparty is indexed to the stock of a consolidated subsidiary.	Comments due October 22, 2008.
AICPA/AcSEC	**Affects**	**Status**
Significant Adoption Dates		
SAS 115, *Communicating Internal Control Related Matters Identified in an Audit*	AICPA members that provide audit or other attest services.	This statement is effective for audits of financial statements for periods ending on or after December 15, 2009. Earlier implementation is permitted.
Ethics Interpretation No. 501-8, "Failure to Follow Requirements of Governmental Bodies, Commissions, or Other Regulatory Agencies on Indemnification and Limitation of Liability Provisions in Connection With Audit and Other Attest Services"	AICPA members that provide audit or other attest services.	Effective July 31, 2008.
SOP 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*	Investment companies.	FSP SOP 07-1-1 indefinitely delays the effective date of SOP 07-1. Entities that early adopted before December 15, 2007, are permitted, but not required, to continue to apply the provisions of this SOP.
SSAE 15, *An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements*	AICPA members that provide audit or other attest services.	This statement is effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2008. Earlier application is permitted.

SSARS 17, *Omnibus Statement on Standards of Accounting and Review Services — 2008*	AICPA members that provide compilation or review services to nonissuers.	Effective for compilations and reviews for periods ending on or after December 15, 2008, with early adoption permitted.
SSARS 16, *Defining Professional Requirements in Statements on Standards for Accounting and Review Services*	AICPA members that provide compilation or review services.	Effective December 18, 2007.
SSARS 15, *Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services*	AICPA members that provide compilation or review services.	Effective for periods ending on or after December 15, 2007.
SSVS 1, *Valuation of a Business, Business Ownership Interest, Security, or Intangible Asset*	AICPA members who are engaged to estimate the value of a business or intangible asset.	Effective for engagements accepted on or after January 1, 2008.
Projects in Request-for-Comment Stage		
Proposed SAS, *Interim Financial Information*	All entities and their auditors.	Comments due November 3, 2008.
Exposure Draft of an Audit and Accounting Guide, *Gaming*	Entities that engage in gaming activities and their auditors.	Comments due December 9, 2008.
SEC	**Affects**	**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"	Public entities with share-based payments.	Effective January 1, 2008.
SAB 109, *Written Loan Commitments Recorded at Fair Value Through Earnings*	Public entities with loan committments.	Apply prospectively to commitments issued or modified in fiscal quarters beginning after December 15, 2007.
Final Rule, *Amendments to Rules Regarding Management's Report on Internal Control Over Financial Reporting*	All public entities.	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, *Shareholder Choice Regarding Proxy Materials*	All public entities.	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, *Revisions to the Eligibility Requirements for Primary Securities Offerings on Forms S-3 and F-3*	Public entities and foreign private issuers that file Forms S-3 and F-3.	The amendments to Forms S-3 and F-3 became 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.
Final Rule, *Technical Amendments to Forms MSD, MSDW, BD-N, BD, BDW, ADV, and ADVW and to Exchange Act Rules 15b1-1, 15b3-1, 15b6-1, 15Ba2-2, 15Bc3-1, 15Ca1-1, 15Ca2-1, 15Cc1-1, and 17a-3, and Advisers Act Rules 203-1, 203-3, and 204-1.*	All public entities.	Effective January 28, 2008.
Final Rule, *Amendment of Procedures for Payment of Fees*	All public entities.	Effective February 1, 2008.
Final Rule, *Delegation of Authority to the Director of the Division of Corporation Finance*	All public entities.	Effective February 7, 2008.
Final Rule, *Electronic Shareholder Forums*	All public entities.	Effective February 25, 2008.
Final Rule, *Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP*	Foreign private issuers that prepare financial statements in accordance with IFRSs.	Effective March 4, 2008. Foreign private issuers filing under IFRSs that have a fiscal year ending after November 15, 2007, and that want to exclude U.S. GAAP information from their filing, should contact the SEC staff in the Division of Corporation Finance if they want to file before the March 4, 2008, effective date.
Final Rule, *Internet Availability of Proxy Materials; Regulation of Takeovers and Security Holder Communications; Cross-Border Tender and Exchange Offers, Business Combinations, and Rights Offerings; Certain Other Related Rule Corrections*	All public entities.	Effective April 1, 2008.
Final Rule, *Revisions to Form S-11 to Permit Historical Incorporation by Reference*	Public entities that file Form S-11.	Effective April 15, 2008.
Final Rule, *Definitions of Terms and Exemptions Relating to the "Broker" Exception for Banks*	Banks subject to the Exchange Act.	Effective April 17, 2008.
Final Rule, *Proposed Rule Changes of Self-Regulatory Organizations*	Self-regulatory organizations.	Effective April 28, 2008.
FInal Rule, *Disclosure of Divestment by Registered Investment Companies in Accordance With Sudan Accountability and Divestment Act of 2007*	Registered investment companies.	Effective April 30, 2008

Final Rule, *Adoption of Updated EDGAR Filer Manual* (33-8922)	All public entities.	Effective June 11, 2008.
Final Rule, *Adoption of Updated EDGAR Filer Manual* (33-8926)	All public entities.	Effective June 12, 2008.
Final Rule, *Commission Guidance and Amendment to the Rules Relating to Organization and Program Management Concerning Proposed Rule Changes Filed by Self-Regulatory Organizations*	Self-regulatory organizations.	Effective July 11, 2008.
Final Rule, *Definition of Eligible Portfolio Company Under Investment Company Act of 1940*	Eligible portfolio companies and business development companies.	Effective July 21, 2008.
Final Rule, *Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers*	Nonaccelerated filers.	Effective September 2, 2008; however, see "Effective Dates" section of rule for exceptions.
Final Rule, *Electronic Filing and Revision of Form D Information*	Public entities that file Form D.	Effective September 15, 2008; however, see "Effective Dates" section of rule for exceptions.
Final Rule, *Adoption of Updated EDGAR Filer Manual* (33-8956)	All public entities.	Effective September 24, 2008.
Final Rule, *Technical Amendment to Item 407 of Regulation S-K*	All public entities.	Effective September 30, 2008.
Final Rule, *Exemption From Registration Under Section 12(g) of the Securities Exchange Act of 1934 for Foreign Private Issuers*	Foreign private issuers.	Effective October 10, 2008.
Final Rule, *Foreign Issuer Reporting Enhancements*	Foreign private issuers.	Effective December 6, 2008.
Final Rule, *Commission Guidance and Revisions to the Cross-Border Tender Offer, Exchange Offer, Rights Offerings, and Business Combination Rules and Beneficial Ownership Reporting Rules for Certain Foreign Institutions*	Foreign private issuers.	Effective December 8, 2008.
Final Rule, *Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies*	Nonaccelerated filers and newly public companies.	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, 2009. (SEC Rule 33-8934 extended the effective date to December 15, 2009 from 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.
Project in Request-for-Comment Stage		
Interpretive Release, *Commission Guidance on the Use of Company Web Sites*	All public entities.	Comments due November 5, 2008.
PCAOB	**Affects**	**Status**
Significant Adoption Dates		
PCAOB Rule Release, *Rules on Periodic Reporting by Registered Public Accounting Firms*	Registered public accounting firms.	The rule will be submitted for SEC approval and will be effective 60 days after SEC approval. The firms will be subject to the special reporting obligations 90 days after SEC approval, and the first annual reporting requirements will be due by June 30, 2009, for the 12-month period ending March 31, 2009.
PCAOB Rule Release, *Rules on Succeeding to Registration Status of Predecessor Firm*	Registered public accounting firms involved in mergers or changes to the registered firm's legal form.	The rule will be submitted for SEC approval and will be effective 60 days after SEC approval. The firms will be subject to the special reporting obligations 90 days after SEC approval, and the first annual reporting requirements will be due by June 30, 2009, for the 12-month period ending March 31, 2009.
Auditing Standard 6, *Evaluating Consistency of Financial Statements*	All public entities and registered public accounting firms.	Effective November 15, 2008.
Auditing Standard 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*	All public entities and registered public accounting firms.	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 3526, *Communication With Audit Committees Concerning Independence*	Registered public accounting firms.	Effective September 30, 2008.
Rule 3525, *Audit Committee Pre-Approval of Non-Audit Services Related to Internal Control Over Financial Reporting*	All public entities and registered public accounting firms.	Effective for audits of internal control for periods ending on or after November 15, 2007.
An amendment to Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*	Registered public accounting firms.	Effective August 22, 2008; however, this Rule will not apply to tax services provided on or before December 31, 2008, when the services are provided during the audit period and completed before the beginning of the professional engagement period.
Document, *Order Approving Proposed Rule Change and Amendment No. 1 Thereto Relating to Inspections*	Registered public accounting firms.	Effective November 2, 2007.
GASB/GAO	**Affects**	**Status**
Significant Adoption Dates		
Statement 53, *Accounting and Financial Reporting for Derivative Instruments*	Government entities with derivative instruments.	Effective for periods beginning after June 15, 2009. Early adoption is encouraged.
Statement 52, *Land and Other Real Estate Held as Investments by Endowments*	Endowments with land or other real estate.	Effective for periods beginning after June 15, 2008. Early adoption is encouraged.
Statement 51, *Accounting and Financial Reporting for Intangible Assets*	Government entities with intangible assets.	Effective for periods beginning after June 15, 2009. Early adoption is encouraged.
Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*	Government entities with pollution remediation obligations.	Effective for financial statements for periods beginning after December 15, 2007.
Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*	Government entities with postretirement benefits other than pensions.	Effective for: • 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, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*	Government entities with postretirement benefits other than pensions.	Effective one year before 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.
Projects in Request-for-Comment Stage		
Exposure Draft, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*	All government agencies.	Comments due October 30, 2008.
Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*	All government agencies.	Comments due October 30, 2008.
Request for Response, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*	All government agencies.	Comments due October 31, 2008.
FASAB	**Affects**	**Status**
Significant Adoption Dates		
Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*	U.S. federal government entities.	Effective for periods beginning after September 30, 2009. Early adoption is encouraged.
Statement 31, *Accounting for Fiduciary Activities*	U.S. federal government entities.	Effective for periods beginning after September 30, 2008. Early adoption is not permitted.
Technical Release 9, *Implementation Guide for Statement for FASAB 29: Heritage Assets and Stewardship Land*	U.S. federal government entities.	Effective for reporting periods beginning after September 30, 2008, with early adoption encouraged.
Technical Release 8, *Clarification of Standard Relating to Inter-Entity Costs*	U.S. federal government entities.	Effective for reporting periods beginning after September 30, 2008, with early adoption encouraged.
Concepts Statement 5, *Definitions of Elements and Basic Recognition Criteria for Accrual-Basis Financial Statements*	U.S. federal government entities.	Effective December 26, 2007.
Project in Request-for-Comment Stage		
Exposure Draft, *Fiscal Sustainability Reporting*	U.S. federal government entities.	Comments due January 5, 2009.

IASB/IFRIC	Affects	Status
Significant Adoption Dates		
Improvements to IFRSs — a collection of amendments to International Financial Reporting Standards	Entities that apply IFRSs.	Most improvements are effective for annual periods beginning on or after January 1, 2009, with early adoption permitted. They should be applied retrospectively.
IFRS 8, *Operating Segments*	Entities that apply IFRSs.	Effective for annual periods beginning on or after January 1, 2009.
IFRS 3 (revised), *Business Combinations*	Entities that apply IFRSs.	Effective for business combinations in annual financial statements beginning on or after July 1, 2009. Early adoption is permitted provided that the standard is applied with IAS 27 (revised); the revised IFRS 3 is not applied in an accounting period beginning before June 30, 2007; and early adoption is disclosed.
Amendments to IFRS 2, *Share-based Payment — Vesting Conditions and Cancellations*	Entities that apply IFRSs.	Effective for annual periods beginning on or after January 1, 2009. Early adoption is permitted.
Amendment to IAS 39, *Financial Instruments: Measurement and Recognition*	Entities that apply IFRSs.	Effective retrospectively for annual periods beginning on or after July 1, 2009. Early adoption is permitted.
Amendments to IAS 32, *Financial Instruments: Presentation*, and IAS 1, *Presentation of Financial Statements*	Entities with financial instruments that meet the definition of a financial liability but represent the residual interest in the net assets of the entity and that apply IFRSs.	Effective for annual periods beginning on or after January 1, 2009, with early adoption permitted.
IAS 27 (revised), *Consolidated and Separate Financial Statements*	Entities that apply IFRSs.	Effective for annual periods beginning on or after July 1, 2009. Early adoption is permitted provided that the standard is applied with IFRS 3 (revised); the revised IFRS 3 is not applied in an accounting period beginning before June 30, 2007; and early adoption is disclosed.
Amendment to IAS 23, *Borrowing Costs*	Entities that apply IFRSs.	Effective for annual periods beginning on or after January 1, 2009. Early adoption is permitted.
IFRIC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*	Entities that apply IFRSs.	Effective prospectively for annual periods beginning on or after October 1, 2008. Early adoption is permitted.
IFRIC Interpretation 15, *Agreements for the Construction of Real Estate*	Entities that apply IFRSs.	Effective retrospectively for annual periods beginning on or after January 1, 2009. Early adoption is permitted.
IFRIC Interpretation 14, *IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*	Entities that apply IFRSs.	Effective for annual periods beginning on or after January 1, 2008. Early adoption is permitted.
IFRIC Interpretation 13, *Customer Loyalty Programmes*	Entities that apply IFRSs.	Effective for annual periods beginning on or after July 1, 2008. Early adoption is permitted.
IFRIC Interpretation 12, *Service Concession Arrangements*	Entities that apply IFRSs.	Effective for annual periods beginning on or after January 1, 2008. Early adoption is permitted.
International Standards on Auditing No. 550 (Revised/Redrafted), *Related Parties*	Auditors subject to International Standards on Auditing.	Effective for audits of financial statements for periods beginning on or after December 15, 2009.
Projects in Request-for-Comment Stage		
Exposure Draft, *Code of Ethics for Professional Accountants*	Auditors subject to International Standards on Auditing.	Comments due October 15, 2008.
Exposure Draft, *Improvements to IFRSs*	Entities that apply IFRSs.	Comments due November 7, 2008.
Exposure Draft, *Simplifying Earnings per Share: Proposed Amendments to IAS 33*	Entities that apply IFRSs.	Comments due December 5, 2008.
Exposure Draft, IPSAS 5, *Borrowing Costs*	Public-sector entities that apply IFRSs.	Comments due January 7, 2009.
Exposure Draft, *Discontinued Operations* — proposed amendments to IFRS 5	Entities that apply IFRSs.	Comments due by January 23, 2009.
Exposure Draft, *Additional Exemptions for First-time Adopters* — proposed amendments to IFRS 1	Entities that apply IFRSs.	Comments due by January 23, 2009.

Appendix C: Glossary of Standards

FASB Statement No. 161, *Disclosures About Derivative Instruments and Hedging Activities* — an amendment of FASB Statement No. 133

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. 157, *Fair Value Measurements*

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

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

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

FASB Statement No. 141(R), *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. 131, *Disclosures About Segments of an Enterprise and Related Information*

FASB Statement No. 128, *Earnings per Share*

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

FASB Statement No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*

FASB Statement No. 109, *Accounting for Income Taxes*

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

FASB Statement No. 5, *Accounting for Contingencies*

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. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* — an interpretation of FASB Statements No. 5, 57, and 107 and rescission of FASB Interpretation No. 34

FASB Staff Position No. FAS 140-e and FIN 46(R)-e, "Disclosures About Transfers of Financial Assets and Interests in Variable Interest Entities"

FASB Staff Position No. FAS 133-1 and FIN 45-4, "Disclosures About Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161"

FASB Staff Position No. FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds"

FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)"

FASB Exposure Draft, *Accounting for Transfers of Financial Assets* — an amendment of FASB Statement No. 140

FASB Exposure Draft, *Amendments to FASB Statement No. 46(R)*

FASB Exposure Draft, *Earnings per Share* — an amendment of FASB Statement No. 128

FASB Exposure Draft, *Disclosure of Certain Loss Contingencies* — an amendment of FASB Statements No. 5 and 141(R)

Proposed FASB Staff Position No. FAS 157-d, "Determining the Fair Value of a Financial Asset in a Market That Is Not Active"

Proposed FASB Staff Position No. FAS 144-d, "Amending the Criteria for Reporting a Discontinued Operation"

Proposed FASB Staff Position No. FAS 140-e and FIN 46(R)-e, "Disclosures About Transfers of Financial Assets and Interests in Variable Interest Entities"

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

EITF Issue No. 08-8, "Accounting for an Instrument (or an Embedded Feature) With a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary"

EITF Issue No. 08-7, "Accounting for Defensive Intangible Assets"

EITF Issue No. 08-6, "Equity Method Investment Accounting Considerations"

EITF Issue No. 08-5, "Issuer's Accounting for Liabilities Measured at Fair Value With a Third-Party Guarantee"

EITF Issue No. 08-1, "Revenue Recognition for a Single Unit of Accounting"

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

EITF Issue No. 00-21, "Revenue Arrangements With Multiple Deliverables"

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

EITF Issue No. 00-6, "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary"

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

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 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts*

AICPA Statement of Position 00-3, *Accounting by Insurance Enterprises for Demutualizations and Formations of Mutual Insurance Holding Companies and for Certain Long-Duration Participating Contracts*

AICPA Statement on Auditing Standards No. 100 (AU Section 722), *Interim Financial Information*

AICPA Statement on Auditing Standards No. 74 (AU Section 801), *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance*

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

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

AICPA Proposed Statement on Auditing Standards, *Interim Financial Information*

AICPA Exposure Draft of an Audit and Accounting Guide*, Gaming*

SEC Final Rule Release No. 34-58465, *Exemption From Registration Under Section 12(g) of the Securities Exchange Act of 1934 for Foreign Private Issuers*

SEC Final Rule Release No. 34-58415, *Order Approving Proposed Ethics and Independence Rule 3526*, Communication With Audit Committees Concerning Independence, *Amendment to Interim Independence Standards, and Amendment to Rule 3523,* Tax Services for Persons in Financial Reporting Oversight Roles

SEC Final Rule Release No. 34-58092, *Commission Guidance and Amendment to the Rules Relating to Organization and Program Management Concerning Proposed Rule Changes Filed by Self-Regulatory Organizations*

SEC Final Rule Release No. 33-8959, *Foreign Issuer Reporting Enhancements*

SEC Final Rule Release No. 33-8957, *Commission Guidance and Revisions to the Cross-Border Tender Offer, Exchange Offer, Rights Offerings, and Business Combination Rules and Beneficial Ownership Reporting Rules for Certain Foreign Institutions*

SEC Interpretive Release No. 34-58288, *Commission Guidance on the Use of Company Web Sites*

SEC Other Release, *Final Report of the SEC Advisory Committee on Improvements to Financial Reporting*

SEC Proposed Rule Release No. 34-58070, *References to Ratings of Nationally Recognized Statistical Rating Organizations*

PCAOB Auditing Standard No. 6, *Evaluating Consistency of Financial Statements*

PCAOB Rule Release No. 2008-005, *Rules on Succeeding to the Registration Status of a Predecessor Firm*

PCAOB Rule No. 3526, *Communication With Audit Committees Concerning Independence*

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

PCAOB Independence Standards Board Standard No. 1, *Independence Discussions With Audit Committees*

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

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

GASB Statement No. 14, *The Financial Reporting Entity*

GASB Exposure Draft, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*

GASB Exposure Draft, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Proposed Technical Bulletin, *Determining the Annual Required Contribution for Postemployment Benefits*

GASB Request for Response, *Suggested Guidelines for Voluntary Reporting of SEA Performance Information*

FASAB Exposure Draft, *Reporting Comprehensive Long-Term Fiscal Projections for the U.S. Government*

IFRS 8, *Operating Segments*

IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*

IFRS 3, *Business Combinations*

IFRS 2, *Share-based Payment*

IFRS 1, *First-time Adoption of International Financial Reporting Standards*

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

IAS 38 (revised), *Intangible Assets*

IAS 36 (revised), *Impairment of Assets*

IAS 33 (revised), *Earnings per Share*

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

IAS 24 (revised), *Related Party Disclosures*

IAS 23, *Borrowing Costs*

IAS 21 (revised), *The Effects of Changes in Foreign Exchange Rates*

IAS 18, *Revenue*

IAS 11, *Construction Contracts*

IAS 7, *Cash Flow Statements*

IFRIC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*

IFRIC Interpretation 15, *Agreements for the Construction of Real Estate*

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IASB Exposure Draft, *Review of the Constitution: Public Accountability and the Composition of the IASB — Proposals for Change*

IASB Exposure Draft, *Simplifying Earnings per Share: Proposed Amendments to IAS 33*

IASB Exposure Draft, *Improvements to IFRSs*

IASB Draft Document, "Measuring and Disclosing the Fair Value of Financial Instruments in Markets That Are No Longer Active"

IFAC Exposure Draft, *Code of Ethics for Professional Accountants*

Appendix D: Abbreviations

AAG	AICPA Audit and Accounting Guide
ACFE	Association of Certified Fraud Examiners
AcSEC	Accounting Standards Executive Committee
ADR	American Depositary Receipt
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board
ARB	Accounting Research Bulletin
ASB	Auditing Standards Board
AT	Attestation Standards
AU	U.S. Auditing Standards
CIFiR	SEC Advisory Committee on Improvements to Financial Reporting
CPE	continuing professional education
EC	European Commission
ED	Exposure Draft
EDGAR	Electronic Data Gathering, Analysis, and Retrieval System
EITF	Emerging Issues Task Force
EPS	earnings per share
FAS	Financial Accounting Standard
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FIN	FASB Interpretation
FSP	FASB Staff Position
GAAP	generally accepted accounting principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
GDP	gross domestic product
HCO	health care organization
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IDEA	Interactive Data Electronic Applications
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
IOSCO	International Organizations of Securities Commissions
IPSAS	International Public Sector Accounting Standards
ISA	International Standard on Auditing
MD&A	Management's Discussion and Analysis
MOU	Memorandum of Understanding
NPO	not-for-profit organization

NRSRO	nationally recognized statistical rating organization
PCAOB	Public Company Accounting Oversight Board
PCIE	President's Council on Integrity and Efficiency
Q&A	question and answer
QSPE	qualifying special-purpose entity
SAB	Staff Accounting Bulletin
SAS	Statement on Auditing Standards
SEA	service efforts and accomplishments
SEC	Securities and Exchange Commission
SIC	Standing Interpretations Committee
SMEs	small and medium-sized entities
SOP	Statement of Position
SRO	self-regulatory organization
SSAE	Statement on Standards for Attestation Engagements
SSARS	Statement on Standards for Accounting and Review Services
SSVS	Statement on Standards for Valuation Services
UPMIFA	Uniform Prudent Management of Institutional Funds Act of 2006
VIE	variable interest entity
XBRL	extensible business reporting language

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

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