

Accounting Roundup.

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FASB Developments

FASB Issues New Pension Standard, Statement 158

The FASB issued Statement 158¹ with certain provisions, discussed in the following paragraph, becoming effective for fiscal years ending after December 15, 2006, for entities with publicly traded equity securities. For all other entities, those provisions are effective for fiscal years ending after June 15, 2007.

Statement 158 requires a calendar year-end company with publicly traded equity securities that sponsors a postretirement benefit plan to fully recognize, as an asset or liability, the overfunded or underfunded status of its benefit plan(s) in its 2006 year-end balance sheet. The funded status is measured as the difference between the fair value of the plan's assets and its benefit obligation. The Statement defines a company with publicly traded equity securities as follows:

1. An entity that has equity securities trading in a public market, which may be either a stock exchange (domestic or foreign) or an over-the-counter market, including securities quoted only locally or regionally;
2. An entity that has made or is making a filing with a regulatory agency in preparation for the sale of any class of equity securities in a public market; or
3. An entity controlled by an entity covered by (1) or (2). It does not include obligors for conduit debt securities as described in proposed FSP FAS 126-a.²

Statement 158 retains the Exposure Draft's basis for measuring the benefit obligation as the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement benefit plans, but has provided some relief in terms of transition. During redeliberations, the FASB reconsidered its original conclusions regarding transition for the recognition provision that would have required retrospective application. The Statement now requires **prospective application**.

¹ FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* — an amendment of FASB Statements No. 87, 88, 106, and 132(R).

² Proposed FASB Staff Position No. FAS 126-a, "Revision to the Definition of a Public Entity to Include an Obligor for Conduit Debt Securities."

In addition, Statement 158 also requires a company to measure its plan assets and benefit obligations as of its year-end balance sheet date. Currently, an entity is permitted to choose a measurement date up to three months prior to its year end to measure the plan assets and obligations. The provision to require measurement at the entity's year-end balance sheet date will be effective for fiscal years ending after December 15, 2008. Paragraph 5 of Statement 158 provides two exceptions to the measurement date provision. Those two situations, and the way in which the measurement date is affected, are as follows:

When a subsidiary is the plan sponsor and is consolidated using a different fiscal period than its parent, the parent should measure the subsidiary's postretirement benefit plan assets and benefit obligations as of the same date used to consolidate the subsidiary; and

When the plan is sponsored by an equity method investee and the financial statements of the equity method investee are not available timely for the investor to apply the equity method currently, the investor should measure the investee's plan assets and benefit obligations as of the same date of the investee's financial statements used to apply the equity method.

By amending Statements 87³ and 106,⁴ Statement 158 addresses certain deficiencies in the original pension accounting guidance. Most importantly, Statement 158 increases the transparency of a company's financial statements. Instead of requiring the company only to disclose the funded status of its plan, the Statement requires the company to record it.

Statement 158 does not address the measurement and recognition issues related to the changes in the fair value of plan assets and benefit obligations. Those, as well as other issues, will be the primary focus of a multi-year Phase II project. Accordingly, Statement 158 does not affect an entity's computation of its benefit expense recognized in the income statement.

The [Statement](#) and a [press release](#) announcing it are available on the FASB's Web site. For additional information, see Deloitte & Touche's [Heads Up](#) on the new Statement.

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

The FASB issued Statement 157, which enhances existing guidance for measuring assets and liabilities using fair value. Prior to the Statement's issuance, guidance for applying fair value was incorporated in several accounting pronouncements.

The new Statement provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. Statement 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under the Statement, fair value measurements are disclosed by level within that hierarchy. While the Statement does not add any new fair value measurements, it does change current practice. Changes to practice include:

- A requirement for an entity to include its own credit standing in the measurement of its liabilities.
- A modification of the transaction price presumption.⁵
- A prohibition on the use of block discounts when valuing large blocks of securities for broker-dealers and investment companies.
- A requirement to adjust the value of restricted stock for the effect of the restriction even if the restriction lapses within one year.

³ FASB Statement No. 87, *Employers' Accounting for Pensions*.

⁴ FASB Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

⁵ Statement 157 nullified footnote 3 of EITF Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," and paragraph 4(d) of FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*, which added paragraph 16A of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

The Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged. The [Statement](#) and a [press release](#) announcing it are available on the FASB's Web site. For additional information, see Deloitte & Touche's [Heads Up](#) on the new Statement.

FSP on Planned Major Maintenance Activities

On September 8, 2006, the FASB issued FSP No. AUG AIR-1, "Accounting for Planned Major Maintenance Activities." The FSP prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim reporting periods (i.e., periodic major overhauls and maintenance of plant and equipment). It continues to permit the application of the other three alternative methods of accounting for planned major maintenance activities that are in the AICPA Audit and Accounting Guide, *Airlines* (Airline Guide), and used by other industries: direct expense, built-in overhaul, and deferral. Although the FSP amends the Airline Guide, the guidance in the FSP is applicable to entities in all industries.

According to the FASB, the accrue-in-advance method of accounting causes the recognition of a liability in a period prior to the occurrence of the transaction or event obligating the entity. Consequently, this recognition fails to conform to the definition of a liability found in Concepts Statement 6.⁶ However, the Board noted that a liability required to be recorded for an asset retirement obligation based on a legal obligation, as explained and illustrated in Statement 143⁷ and Interpretation 47,⁸ does embody a liability. Therefore, the Board believes that if the event obligating the entity has occurred, the liability should be recorded.

In addition to amending the Airline Guide, the FSP also amends Opinion 28⁹ to remove its specific reference in paragraph 16(a) to annual major repairs. The FSP is effective for the first fiscal year beginning after December 15, 2006. The FSP should be applied retrospectively for all financial statements presented unless doing so is impracticable. Earlier adoption is permitted as of the beginning of an entity's fiscal year. The FSP requires disclosure of the method of accounting for planned major maintenance activities selected, as well as information related to the change from the accrue-in-advance method to another method.

The [FSP](#) is available on the FASB's Web site.

EITF Developments

EITF Meeting

The EITF met on September 7, 2006, and discussed the topics below:

Issues on which final consensus was reached:

- Issue No. 06-1, "Accounting for Consideration Given by a Service Provider to a Manufacturer or Reseller of Equipment Necessary for an End-Customer to Receive Service From the Service Provider."
- Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements."
- Issue No. 06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance With FASB Technical Bulletin No. 85-4."

The FASB ratified the consensuses reached on the issues above at its September 20, 2006, meeting.

Issues on which tentative conclusions were reached:

- Issue No. 06-6, "Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments."
- Issue No. 06-7, "Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133."
- Issue No. 06-8, "Applicability of the Assessment of a Buyer's Continuing Investment Under FASB Statement No. 66 for Sales of Condominiums."

⁶ FASB Concepts Statement No. 6, *Elements of Financial Statements*.

⁷ FASB Statement No. 143, *Accounting for Asset Retirement Obligations*.

⁸ FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*.

⁹ APB Opinion No. 28, *Interim Financial Reporting*.

- Issue No. 06-9, “Reporting a Change in (or the Elimination of) a Previously Existing Difference Between the Fiscal Year-End of a Parent Company and That of a Consolidated Entity or Between the Reporting Period of an Investor and That of an Equity Method Investee.”

The above issues are exposed for a comment period ending October 13, 2006, before being finalized by the EITF and ratified by the FASB. Click an issue to go to the draft abstract that has been posted for comment. See Deloitte & Touche’s September 2006 [EITF Roundup](#) for additional information. [Meeting minutes](#) are available on the FASB’s Web site.

GASB Developments

Statement on Accounting for Sales and Pledges of Receivables and Future Revenues

The GASB issued a Statement to clarify the guidance on accounting for sales and pledges of receivables and future revenues. Statement 48¹⁰ provides criteria that governments will use to determine whether to classify certain transactions as sold or collateralized. In other words, Statement 48 determines whether proceeds received from a certain transaction should be reported as revenue or liability. The Statement also indicates that governments should not revalue assets that are transferred between financial reporting entity components.

The Statement contains several modifications from the 2005 Exposure Draft and also includes the following requirements and guidance:

- Requires enhanced disclosures pertaining to future revenues that have been pledged or sold.
- Provides guidance on sales of receivables and future revenues within the same financial reporting entity.
- Provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.

Statement 48 is effective for financial statements for periods beginning after December 15, 2006. The [press release](#) announcing the Statement’s issuance is available on the GASB’s Web site. A copy of the text of the Statement can be ordered through the GASB’s order department or via its Web site.

GASB Adds Project to Technical Plan to Enhance Disclosure Requirements of Governmental Pension Plans

The GASB announced that it has added a project to its current technical agenda. This project will likely require state and local governments to provide enhanced disclosures and supplementary information about their pension plans to users of governmental financial statements. The project’s intention is to bring current pension disclosure requirements for governments in line with those recently required for other post-employment benefits.

A formal Exposure Draft on this initiative is expected before the end of 2007. A [press release](#) announcing the project is available on the GASB’s Web site.

AICPA Developments

Exposure Draft Proposing New and Revised Interpretations Under Rule 101, Independence

The Professional Ethics Executive Committee, a division of the AICPA, has issued an omnibus Exposure Draft containing proposed Interpretations under Rule 101, *Independence*. Two proposals are included in the Exposure Draft:

- Proposed Interpretation 101-16 Under Rule 101: *Indemnification, Limitation of Liability, and ADR Clauses in Engagement Letters*

¹⁰ GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

- Proposed Revision to Interpretation 101-3 Under Rule 101: *Performance of Nonattest Services: Forensic Accounting Services and Tax Compliance Services*

The first proposal recommends ethics guidance that adopts an underlying principle in which independence would be considered impaired if an AICPA member entered into an agreement with a client that included an indemnification or limitation of liability provision regarding the member's exposure to actual damages. However, if such a provision was contingent on the member's attest services being performed in compliance with professional standards, then the member's independence would not be considered impaired. The proposed interpretation also provides guidance on dispute resolution arrangements.

The second proposal revises Ethics Interpretation 101-3, *Performance of Nonattest Services*, to incorporate guidance on how the provision of forensic accounting services and tax compliance services would affect a member's independence.

Comments on the omnibus Exposure Draft are due November 8, 2006. The [Exposure Draft](#), [executive summary](#), and instructions and contact information for comments are available on the AICPA's Web site.

SEC Developments

SAB 108 Provides Guidance on Materiality

In recent years, the SEC staff has voiced concerns¹¹ over registrants exclusive reliance on either the "iron curtain" or "rollover" approaches to quantifying financial statement misstatements. To address these concerns, the SEC issued SAB 108.¹² In summary, SAB 108:

- States that registrants should use **both** a balance sheet (iron curtain) approach and an income statement (rollover) approach when quantifying and evaluating the materiality of a misstatement;¹³
- Contains guidance on correcting errors under the dual approach;
- Provides transition guidance for correcting errors existing in prior years. If prior-year errors that had been previously considered immaterial (based on the appropriate use of the registrant's prior approach) now are considered material based on the approach in the SAB, the registrant need not restate prior period financial statements; and
- Is effective for annual financial statements covering the first fiscal year ending after November 15, 2006, with earlier application encouraged for any interim period of the first fiscal year ending after November 15, 2006, and filed after September 13, 2006. If a registrant early adopts, previous interim reports need not be amended. However, any comparative interim information presented should be adjusted to reflect the cumulative-effect adjustment as of the beginning of the year of initial application. Also, the disclosures of selected quarterly information required by Item 302 of SEC Regulation S-K should reflect the adjusted results.

While the specific provisions of SAB 108 apply to SEC registrants, the AICPA's Auditing Standards Board has indicated that it will likely revisit AICPA Statement on Auditing Standards No. 107, *Audit Risk and Materiality in Conducting an Audit*, now that the SEC has issued its guidance. Private companies that are considering becoming registrants should note that the cumulative-effect adjustment is not available to registrants that have initial registration statements that are not effective on or before November 15, 2006.

The staff will not object if a registrant records a one-time cumulative-effect adjustment to correct for misstatements in fiscal years ending on or before November 15, 2006, for errors that were not deemed material under the registrant's prior approach but are material under the SAB 108 approach. That is, the registrant would not have to restate prior period financial statements at initial application so long as management properly applied its previous

¹¹ For example, see the [remarks](#) made by Russell P. Hodge at the 2004 AICPA National Conference on Current SEC and PCAOB Developments.

¹² SEC Staff Accounting Bulletin No. 108, codified as SAB Topic 1.N, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements."

¹³ SEC Staff Accounting Bulletin Topic 1.M, "Materiality," is unchanged by SAB 108. SAB Topic 1.M indicates that quantifying and aggregating errors is only the beginning of an analysis of materiality and that both quantitative and qualitative factors must be considered in determining whether individual errors are material.

approach and all relevant qualitative factors were considered. The effects of the initial application should be reflected in the carrying amounts of assets and liabilities as of the beginning of that fiscal year with the offsetting adjustment to the opening balance of retained earnings. Also, registrants should disclose the nature and amount of each error being corrected, when and how it arose, and that the errors had previously been considered immaterial.

The [SAB](#) and a [press release](#) announcing it are available on the SEC's Web site. For additional information, see Deloitte & Touche's [Heads Up](#) on the SAB.

OCA Expresses Its Views on the Appropriate Application of the Stock Option Accounting Literature

Responding to recent restatements of financial statements by several companies, the Office of the Chief Accountant (OCA) has issued a letter outlining its views on the appropriate application of the relevant accounting guidance. Companies' past practices related to the granting of stock options have precipitated the restatements, and many other companies are reviewing their past practices, which have been based in large part on the guidance in Opinion 25.¹⁴

Specifically, the topics discussed in the letter generally relate to the appropriateness of a company's determination of the measurement date of past stock option awards under Opinion 25. As a result of differences in the accounting standards, the OCA staff notes that the views expressed in the letter are not necessarily representative of the staff's views with respect to the determination of grant date and measurement date under Statement 123(R).¹⁵

The letter is divided into individual sections for each item addressed. In each section, the issue is described and the staff's views are presented. The most significant topics discussed are:

- Dating option awards to predate the actual award date,
- Option grants with administrative delays,
- Validity of prior grants,
- Uncertainty as to individual award recipients,
- Exercise price set by reference to a future market price,
- Grants prior to the commencement of employment,
- Missing or incomplete documentation of option granting activities,
- Granting option awards prior to the release of new information,
- Changes to option grants due to the release of new information, and
- Income tax benefits related to options.

To view the SEC [press release](#) and download, view, or print the text of the [letter](#), visit the SEC's Web site. For additional information, see Deloitte & Touche's [Heads Up](#) related to this letter.

SEC Moves Forward With Its Commitment to XBRL

In an effort to transform the public company disclosure system from the 1980s form-based electronic filing cabinet to an interactively capable real-time search tool, the SEC awarded three separate contracts totaling \$54 million for various projects.

¹⁴ APB Opinion No. 25, *Accounting for Stock Issued to Employees*.

¹⁵ FASB Statement No. 123(R), *Share-Based Payment*.

Currently, the SEC does not require companies to file information in an interactive format, but rather allows companies to do so on a voluntary basis. Several reasons exist for not requiring companies to file information using eXtensible Business Reporting Language (XBRL). One reason is that there is a gap between the capabilities of the SEC's database (EDGAR) and the extra capabilities of XBRL. To continue the process of moving to a fully interactive system, the SEC awarded the following three contracts in order:

- Modernize and Maintain the EDGAR Database to Use Interactive Data:
 - The new system will be completely interactive and allow investors and analysts to search information within the forms, as opposed to only for the names of the form. In addition, the new system will permit information to be downloaded into applications software and will permit anyone to get real-time data from the SEC's Web site.
- Complete XBRL Code Writing for U.S. GAAP Financial Statements:
 - This contract is to complete the writing of XBRL "taxonomies," or computer tags, so that companies in all industries can file their financial reports in XBRL format. The work is expected to be completed in less than a year.
- Interactive Data Tools for Investors:
 - This contract will provide new "interactive" tools on the SEC's Web site so that investors can view and analyze financials filed in XBRL. In addition, the software being purchased by the SEC will be available free of charge to the public.

In a related development, the AICPA announced that XBRL-US will become an independent, not-for-profit organization. The SEC granted XBRL-US the contract to complete the code writing for U.S. GAAP financial statements mentioned in the second bullet above. As an independent entity, XBRL-US will continue to fulfill two goals by supporting the implementation of XBRL and promoting its adoption through conferences, pilot programs, educational materials, and events.

A [press release](#) announcing and describing the contracts awarded is available on the SEC's Web site. The [press release](#) announcing XBRL-US becoming an independent organization is available on the AICPA's Web site.

International Developments

IFRIC Publishes Proposed Guidance on Customer Loyalty Programs

Customer loyalty programs are marketing tools designed to enhance sales volumes. They are used by several different industries, however, which has resulted in unclear accounting guidance and differing practices. Accordingly, the IFRIC has issued Draft Interpretation D20¹⁶ to provide guidance on how entities should recognize and measure their obligations to provide free or discounted goods or services related to the redemption of these customer award credits.

The Draft Interpretation suggests that entities should defer recognition of a portion of revenue until the entities have fulfilled their obligation to supply the free or discounted goods or services.

The [Draft Interpretation](#) and [press release](#) are available on the IASB's Web site. Comments on the Draft Interpretation are due November 6, 2006.

¹⁶ IFRIC Draft Interpretation D20, *Customer Loyalty Programmes*.

Other Developments

Interagency Guidance Issued on Nontraditional Mortgage Products

After reviewing comments received from financial institutions, trade associations, and other members of the public, five federal financial regulatory agencies¹⁷ (the Agencies) issued [final guidance](#) on nontraditional mortgage product risks. Some of the risks posed by such nontraditional (also referred to as “alternative” or “exotic”) mortgage loans include permitting borrowers to defer repayment of principal and sometimes interest. These types of loans are typically known as “interest-only” mortgages and “payment option” adjustable-rate mortgages.

Because of the lack of principal amortization and the potential for negative amortization, compounded with offering the products to the broader spectrum, the Agencies are concerned that borrowers may not fully understand the terms and risks. Therefore, they have issued the final guidance, which discusses the importance of managing the increased risks related to these loans. The guidance suggests that management should:

- Ensure terms and underwriting standards are in line with careful lending practices, including consideration of a borrower’s ability to repay.
- Perform under strong risk management standards and provide for allowances and capital levels that reflect the collectibility of the portfolios.
- Ensure that consumers have the right information to clearly understand the terms and risks associated with the products before making decisions.

The Agencies also issued two additional related documents. One of the documents is [Proposed Illustrations of Consumer Information for Nontraditional Mortgage Products](#). Comments on this document are requested by the Agencies within 60 days of publication in the Federal Register. The other document is an addendum to the May 2005 [Interagency Credit Risk Management Guidance for Home Equity Lending](#).

¹⁷ The agencies included are Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Thrift Supervision, and National Credit Union Administration.

Appendix A: Recent Meetings

Recent FASB Meetings

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

AcSEC/FSP FIN 46(R)-d (September 13)

The Board met with representatives of AcSEC and did not object to the issuance of a final SOP, *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*.

The Board also discussed the issuance of a proposed FSP on the application of Interpretation 46(R).¹⁸ The Board asked the staff to perform further analysis to present at a future Board meeting. Therefore, they deferred making a decision on the issuance of a proposed FSP.

Business Combinations: Applying the Acquisition Method (September 20)

As a continuation of redeliberations, the Board decided the following related to the recognition and measurement of intangible assets acquired in a business combination:

- Identifiable (contractual or separable) intangible assets can be measured with sufficient reliability and should be recognized separately from goodwill.
- They should be measured at a current exchange value rather than at an entity-specific value.
- The final Statement should provide accounting guidance for the subsequent measurement of intangible assets.

Derivative Disclosures (September 6)

The Board decided the scope of this project will not include financial statement presentation and classification of derivative instruments and hedged items falling within the scope of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. In addition, the Board decided that in the tables summarizing an entity's use of derivatives:

- Presentation should be on a gross basis, even when subject to master netting arrangements and qualify for net presentation.
- Exclude cash collateral payables and receivables associated with derivative instruments.
- Present asset and liability fair value amounts separately. Notional amounts should be based on the absolute amount associated with each derivative.

Fair Value Option (September 6)

The Board redeliberated and decided the following related to Phase 1 of the project:

1. Election of the Fair Value Option (FVO) and Related Documentation Issues:
 - a. The FVO is an optional accounting treatment on a contract-by-contract basis.
 - b. The FVO is not available for a portion of an item that is within the scope of Phase 1.

¹⁸ FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities*.

- c. The election of the FVO must be made at initial recognition or when a new basis event occurs. No specific documentation guidance is provided.
 - d. No eligibility criteria is imposed.
2. Recognition, Measurement, and Presentation Issues:
- a. Changes in fair value should be recognized in earnings as they occur.
 - b. Entities may not elect to recognize in earnings the change in fair value attributable to only certain selected risks (reaffirmed decision).
 - c. Not to exclude the effect of changes in an entity's creditworthiness.
 - d. Not to provide specific presentation guidance for the effects of fair value measurements on earnings.
 - e. Continue requiring that an entity provide separate presentation or parenthetical disclosure on the face of the statement of financial position for fair value and non-fair-value carrying amounts.
 - f. Not to amend FASB Statement No. 95¹⁹ to permit changing the cash flow classification based on management's intent.
3. Certain Disclosure Issues:
- a. Not to modify disclosure requirements in paragraphs 12(a) or 12(c) of the FVO Exposure Draft.
 - b. To modify, revise, and/or add clarifying language to the disclosure requirements in paragraphs 12(b) and 12(d).
 - c. To require disclosures related to changes attributable to an entity's creditworthiness that is included in current period earnings.

Financial Guarantee Insurance (September 13)

The Board considered approaches to accounting by insurers for:

- Premium Revenue — Approach is based on release from exposure as measured by debt service to be paid over the contractual duration of each contract. Insurance premium received or accrued is deferred as unearned revenue (premium) and recognized as revenue as the debt service payments are made by the issuer to investors.
- Installment premiums — Expected value should be recognized as a receivable at the inception of the contract. The same amount is recognized as an unearned revenue liability, with the discount on the receivable accreted over the life of the contract through investment income.
- Related contract acquisition costs — Should be defined, deferred, and amortized in accordance with Statement 60.²⁰

In addition, the Board decided that the appropriate claims-recognition approach would value the stand-ready loss liability using only certain transaction-specific inputs, such as the credit rating of the underlying insured security and the time value of money.

Financial Instruments: Due Process Document (September 20)

In discussing the initial scope of the due process document, the Board decided:

- The proposed definition of:
 - A *financial instrument* as:
 - Cash
 - Evidence representing a residual or other ownership interest in an entity

¹⁹FASB Statement No. 95, *Statement of Cash Flows*.

²⁰FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*.

- A contractual obligation of one party to deliver a financial instrument to a second party and a corresponding contractual right of the second party to require receipt of that financial instrument in exchange for no consideration other than release from the obligation
- A contractual obligation of one party to exchange financial instruments with a second party and a contractual right of the second party to require an exchange of financial instruments with the first party.
 - A *financial asset* is a financial instrument that is an asset.
 - A *financial liability* is a financial instrument that is a liability.
- A financial instrument classified in equity is neither a financial asset nor liability to that entity.
- The following items will be excluded from the scope of the due process document:
 - Legal and statutory, but noncontractual obligations and rights to deliver or exchange financial instruments (for example, taxes)
 - Investments in consolidated subsidiaries, consolidated variable interest entities (FASB only), associates (equity method investees in FASB terms) or joint ventures
 - Contingent consideration in business combinations
 - Leases
 - Royalty contracts and other contracts for rights to use assets (revenue recognition issues)
 - Pensions and other post-employment benefits
 - Financial instruments classified as equity by the reporting entity
 - Insurance and related contracts
 - Contracts related to share-based payments
- Derivative instruments that are required by current GAAP to be regularly remeasured at fair value (regardless of whether they are financial instruments) will be included in the scope of the document (for example, one that requires delivery of a commodity).

Financial Statement Presentation (September 20)

Based on the Board's discussions regarding an overall working format for presenting financial information within the basic financial statements, the following represents the sections and categories that might become the format:

Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows
Business <ul style="list-style-type: none"> • Operating assets and liabilities • Investments 	Business <ul style="list-style-type: none"> • Operating income • Investing income 	Business <ul style="list-style-type: none"> • Operating cash flows • Investing cash flows
Discontinued operations	Discontinued operations	Discontinued operations
Financing <ul style="list-style-type: none"> • Financing liabilities • Treasury assets • Equity 	Financing <ul style="list-style-type: none"> • Financing expenses • Treasury income 	Financing <ul style="list-style-type: none"> • Financing cash flows • Treasury cash flows • Equity cash flows
Income taxes	Income taxes	Income taxes

Based on the above, important items to note are:

- Treasury assets are reported in a subcategory within the financing section, as opposed to the business section as the Board previously concluded.
- All income taxes are presented in a separate section, so all other sections would be pretax amounts. Therefore, the need for intraperiod tax allocation is eliminated.
- Discontinued operations are presented as a separate section.
- Extraordinary items are not presented as a separate section, and that concept is eliminated.

In addition, the Board agreed to provide general guidance in the financial statement presentation standard regarding when to present items as a separate line item. The Board also considered, but did not conclude on, other issues that will be discussed at future meetings.

Measurement of Certain Nonfinancial Assets and Nonfinancial Liabilities (August 30)

The Board decided to continue with the issuance of the proposed FSP in order to clarify existing guidance regarding fair value measurements in FASB Statements No. 141, *Business Combinations*; No. 142, *Goodwill and Other Intangible Assets*; and No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The proposed FSP will be posted to the FASB's Web site for a 30-day comment period, and would be effective until the reporting entity adopts Statement 157.

Planned Major Maintenance Activities — Comment Letter Summary and Redeliberations

The Board decided to issue an [FSP](#) to clarify that an enterprise is prohibited from accruing in advance for planned major maintenance activities. See the article above discussing the issuance of FSP AUG AIR-1, "Accounting for Planned Major Maintenance Activities."

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 AcSEC Meeting

At its September 12–13, 2006, meeting, the Accounting Standards Executive Committee discussed the following:

- Revisions to AICPA Audit and Accounting Guide, *Airlines*.
- Revisions to AICPA Audit and Accounting Guide, *Healthcare Organizations*.
- Practice issues related to employee benefit plans.
- AcSEC's comment letter on the FASB's Preliminary Views document, *Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information*.

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

Recent ASB Meeting

There was no ASB meeting in September 2006. The next ASB meeting is scheduled for October 17–19, 2006.

Recent IASB Meeting

The International Accounting Standards Board met September 18–22, 2006, in London and discussed:

- Insurance
- Business Combinations II
- Accounting standards for small and medium-sized entities
- IAS 37 redeliberations
- Conceptual Framework
- Consolidations (including special-purpose entities)
- Revenue recognition
- Short-term convergence: segment reporting
- Financial instruments financial statement presentation
- Update on IFRIC activities
- IAS 24, *Related Party Disclosures*
- Fair value measurement
- IFRS 1 amendments
- Technical plan

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

Recent IFRIC Meeting

The International Financial Reporting Interpretations Committee met in London on September 7–8, 2006, and discussed:

- Service concession arrangements
- IFRS 2, *Share-based Payment* — group and treasury share transactions
- IAS 18, *Revenue* — real estate sales
- IAS 18, *Revenue* — revenue recognition with respect to initial fees received by a fund manager
- IAS 38, *Intangible Assets* — treatment of catalogues and other advertising costs
- Tentative agenda decisions

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

Appendix B: Significant Adoption Dates and Deadlines

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

FASB	Status
Significant Adoption Dates	
Statement 158, <i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans</i> — an amendment of FASB Statements No. 87, 88, 106, and 132(R)	Recognition of asset and liability related to funded status of a plan and disclosures: <ul style="list-style-type: none"> For entities with publicly traded equity securities, effective for fiscal years ending after December 15, 2006. For all other entities, effective for fiscal years ending after June 15, 2007. For all entities, change in measurement date is effective for fiscal years ending after December 15, 2008.
Statement 157, <i>Fair Value Measurements</i>	Effective for fiscal years beginning after November 15, 2007, and interim periods within those years.
Statement 156, <i>Accounting for Servicing of Financial Assets</i> — an amendment of FASB Statement No. 140	Effective as of the beginning of an entity's first fiscal year that begins after September 15, 2006.
Statement 155, <i>Accounting for Certain Hybrid Financial Instruments</i> — an amendment of FASB Statements No. 133 and 140	Effective for all financial instruments acquired, issued, or subject to a remeasurement (new basis) event occurring after the beginning of an entity's first fiscal year that begins after September 15, 2006.
Statement 154, <i>Accounting Changes and Error Corrections</i> — a replacement of APB Opinion No. 20 and FASB Statement No. 3	Effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.
Statement 123(R), <i>Share-Based Payment</i> (reflecting change in effective dates for public companies as a result of the SEC's Final Rule amending Rule 4-01(a) of Regulation S-X)	Effective for public entities (other than those filing as small business issuers) as of the first interim or annual reporting period of the registrant's first fiscal year that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply Statement 123(R) in the first interim or annual reporting period of the registrant's first fiscal year that begins after December 15, 2005. Nonpublic entities will be required to apply Statement 123(R) in the first annual reporting period that begins after December 15, 2005.
Interpretation 47, <i>Accounting for Conditional Asset Retirement Obligations</i> — an interpretation of FASB Statement No. 143	Effective as of the end of fiscal years ending after December 15, 2005.
Interpretation 48, <i>Accounting for Uncertainty in Income Taxes</i> — an interpretation of FASB Statement No. 109	Effective for fiscal years beginning after December 15, 2006.
FSP FAS 140-2, "Clarification of the Application of Paragraphs 40(b) and 40(c) of FASB Statement No. 140"	Effective as of November 9, 2005.
FSP FAS 123(R)-4, "Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement Upon the Occurrence of a Contingent Event"	Effective upon initial adoption of Statement 123(R). For an entity that adopted Statement 123(R) prior to February 3, 2006, this FSP is effective for the first reporting period beginning after February 3, 2006.
FSP FAS 123(R)-3, "Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards"	Effective after November 10, 2005. Entities may take up to one year from the later of the initial adoption of Statement 123(R) or the effective date of the FSP to make its election.

FSP FAS 123(R)-2, "Practical Accommodation to the Application of Grant Date as Defined in FASB Statement No. 123(R)"	Effective upon initial adoption of Statement 123(R). For an entity that adopted Statement 123(R) prior to October 18, 2005, this FSP is effective for the first reporting period after October 18, 2005, for which financial statements or interim reports have not been issued.
FSP FAS 123(R)-1, "Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services Under FASB Statement No. 123(R)"	Effective upon initial adoption of Statement 123(R). For an entity that adopted Statement 123(R) prior to August 31, 2005, this FSP is effective for either (a) the first reporting period beginning after August 31, 2005, or (b) an earlier period if the financial statements for that period have not been issued.
FSP FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"	Effective for reporting periods beginning after December 15, 2005.
FSP FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period"	Effective for the first reporting period beginning after December 15, 2005. Lessees should cease capitalizing rental costs as of the effective date of this FSP for operating lease arrangements entered into prior to that date.
FSP FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction"	Effective for fiscal years beginning after December 15, 2006.
FSP FIN 45-3, "Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners"	Effective for new minimum revenue guarantees issued or modified on or after the beginning of the first fiscal quarter following November 10, 2005.
FSP FIN 46(R)-6, "Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)"	Effective the first day of the first reporting period beginning after June 15, 2006.
FSP SOP 94-6-1, "Terms of Loan Products That May Give Rise to a Concentration of Credit Risk"	Effective for interim and annual periods ending after December 19, 2005.
FSP SOP 78-9-1, "Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-5"	Effective after June 29, 2005, for new limited partnership agreements and for pre-existing limited partnership agreements that are modified; otherwise, effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005.
FSP AAG INV-1 and SOP 94-4-1, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans"	The financial statement presentation and disclosure guidance is effective for annual periods ending after December 15, 2006. The revised definition of fully benefit-responsive is effective for all investment contracts as of the last day of the annual period ending after December 15, 2006.
FSP AUG AIR-1, "Accounting for Planned Major Maintenance Activities"	Effective for first fiscal year beginning after December 15, 2006.
FSP FTB 85-4-1, "Accounting for Life Settlement Contracts by Third Party Investors"	Effective for fiscal years beginning after June 15, 2006.
Statement 133 Implementation Issue No. G1, "Cash Flow Hedges: Hedging an SAR Obligation"	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. E19, "Hedging — General: Methods of Assessing Hedge Effectiveness When Options Are Designated as the Hedging Instrument"	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. C3, "Scope Exceptions: Exception Related to Share-Based Payment Arrangements"	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. B39, "Embedded Derivatives: Application of Paragraph 13(b) to Call Options That Are Exercisable Only by the Debtor"	Effective the first day of the first fiscal quarter beginning after December 15, 2005.
Statement 133 Implementation Issue No. B38, "Embedded Derivatives: Evaluation of Net Settlement With Respect to the Settlement of a Debt Instrument Through Exercise of an Embedded Put Option or Call Option"	Effective the first day of the first fiscal quarter beginning after December 15, 2005.

Project in Exposure-Draft or Request-for-Comment Stage	
FASB Preliminary Views, <i>Conceptual Framework for Financial Reporting: Objective of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information</i>	Comments due November 3, 2006.
EITF	Status
Significant Adoption Dates	
Issue 06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance With FASB Technical Bulletin No. 85-4"	Effective for fiscal years beginning after December 15, 2006.
Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"	Effective for fiscal years beginning after December 15, 2006.
Issue 06-3, "How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)"	Effective for financial statements for interim and annual periods beginning after December 15, 2006.
Issue 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43"	Effective for fiscal years beginning after December 15, 2006.
Issue 06-1, "Accounting for Consideration Given by a Service Provider to a Manufacturer or Reseller of Equipment Necessary for an End-Customer to Receive Service From the Service Provider"	Effective for fiscal years beginning after June 15, 2007.
Issue 05-8, "Income Tax Consequence of Issuing Convertible Debt With a Beneficial Conversion Feature"	Effective for the first interim or annual reporting period beginning after December 15, 2005.
Issue 05-7, "Accounting for Modifications to Conversion Options Embedded in Debt Instruments and Related Issues"	Effective for future modifications of debt instruments that occur in all interim and annual reporting periods beginning after December 15, 2005. Public companies should also consider the remarks of the SEC Staff at the December 2004 AICPA Conference on Current SEC and PCAOB Developments stating that public companies should include the change in fair value of a modified conversion option in their Issue 96-19 cash flow analysis.
Issue 05-5, "Accounting for Early Retirement or Postemployment Programs With Specific Features (Such as Terms Specified in Altersteilzeit Early Retirement Arrangements)"	Effective for fiscal years beginning after December 15, 2005.
Issue 05-1, "Accounting for the Conversion of an Instrument That Became Convertible Upon the Issuer's Exercise of a Call Option"	Effective for all conversions within the scope of the issue that result from the exercise of call options in interim or annual reporting periods beginning after June 28, 2006.
Issue 04-13, "Accounting for Purchases and Sales of Inventory With the Same Counterparty"	Effective for new inventory arrangements entered into, or modifications or renewals of existing inventory arrangements occurring, in interim or annual reporting periods beginning after March 15, 2006.
Issue 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"	Effective for fiscal years ending after September 15, 2005.
Issue 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"	Effective for fiscal years beginning after December 15, 2005.
Issue 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights"	Effective after June 29, 2005, for new limited partnership agreements and for pre-existing limited partnership agreements that are modified; otherwise, effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005.

Tentative Conclusions in Comment-Period Stage	
Issue 06-9, "Reporting a Change in (or the Elimination of) a Previously Existing Difference Between the Fiscal Year-End of a Parent Company and That of a Consolidated Entity or Between the Reporting Period of an Investor and That of an Equity Method Investee"	Comments due October 13, 2006.
Issue 06-8, "Applicability of the Assessment of a Buyer's Continuing Investment Under FASB Statement No. 66, for Sales of Condominiums"	Comments due October 13, 2006.
Issue 06-7, "Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instruments When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No.133"	Comments due October 13, 2006.
Issue 06-6, "Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments"	Comments due October 13, 2006.
GASB/GAO	Status
Significant Adoption Dates	
GASB Statement No. 48, <i>Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues</i>	Effective for financial statements for periods beginning after December 15, 2006.
GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>	Effective for: <ul style="list-style-type: none"> Phase I governments in periods beginning after December 15, 2006. Phase 2 governments in periods beginning after December 15, 2007. Phase 3 governments in periods beginning after December 15, 2008.
GASB Statement No. 43, <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i>	Effective one year prior to the effective date of GASB Statement 45 for the employer in a single-employer plan or the largest participating employer in a multi-employer plan.
GASB Technical Bulletin No. 2006-1, <i>Accounting and Financial Reporting by Employers and OPEB Plans for Payments From the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D</i>	Effective for financial statements issued after June 30, 2006, except for portions of answers pertaining specifically to measurement, recognition, or required supplementary information requirements of Statements 43 and 45. Those provisions would be applied upon the adoption of Statements 43 and 45.
GASB Technical Bulletin No. 2004-2, <i>Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers</i>	For pension transactions, effective for financial statements for periods ending after December 15, 2004, with earlier application encouraged. For other postemployment benefit transactions, the provisions should be applied simultaneously with the requirements of GASB Statement 45.
Project in Exposure-Draft Stage	
GASB Proposed Concepts Statement, <i>Elements of Financial Statements</i>	Comments due November 17, 2006.
AICPA/AcSEC	Status
Significant Adoption Dates	
SOP 06-1, <i>Reporting Pursuant to the Global Investment Performance Standards</i>	Effective April 6, 2006.
SOP 05-1, <i>Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts</i>	Effective for internal replacements occurring in fiscal years beginning after December 15, 2006. Initial application of this SOP should be as of the beginning of an entity's fiscal year.

SAS 112, <i>Communicating Internal Control Matters Identified in an Audit</i>	Effective for audits of financial statements for periods ending on or after December 15, 2006.
SAS 111, <i>Amendment to Statement on Auditing Standards No. 39, Audit Sampling</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 110, <i>Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 109, <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 108, <i>Planning and Supervision</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 107, <i>Audit Risk and Materiality in Conducting an Audit</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 106, <i>Audit Evidence</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 105, <i>Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 104, <i>Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures ("Due Professional Care in the Performance of Work")</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 103, <i>Audit Documentation</i>	Effective for periods ending on or after December 15, 2006.
SAS 102, <i>Defining Professional Requirements in Statements on Auditing Standards</i> , and SSAE No. 13, <i>Defining Professional Requirements in Statements on Standards for Attestation Engagements</i>	Effective December 2005.
Conforming changes to AICPA Professional Standards, AT Section 501 — <i>Reporting on an Entity's Internal Control Over Financial Reporting</i> , resulting from SAS 112	Effective when the subject matter or the assertion is as of or for the period ending on or after December 15, 2006.
AICPA Professional Standards, ET Section 100.01 — <i>Conceptual Framework for AICPA Independence Standards</i>	Effective for all independence decisions made as of April 30, 2007.
Revision to AICPA Professional Standards, ET Section 501.02	Effective April 30, 2006.
AICPA Center for Public Company Audit Firms Alert #90, <i>SEC Staff Position Regarding Changes to the Statement of Cash Flows Relating to Discontinued Operations</i>	Effective February 15, 2006. Retrospective modifications to presentations of the cash flows pertaining to discontinued operations in the first periodic report filed subsequent to February 15, 2006, may be treated in a manner similar to a change in accounting method with no reference to the correction of an error. Modifications in subsequent filings should be treated as a correction of an error.
AICPA Center for Public Company Audit Firms Alert #98, <i>Update to SEC Staff Position Regarding Changes to the Statement of Cash Flows Relating to Discontinued Operations (Addendum to CPCA Alert #90)</i>	Effective April 19, 2006.
AICPA Center for Public Company Audit Firms Paper, <i>Guidance for Firms Issuing Audit Reports for Non-Issuers That Are Filed With the SEC</i>	Effective March 10, 2006.
Projects in Exposure-Draft Stage	
AICPA PEEC Proposed Interpretation 101-16 Under Rule 101: <i>Indemnification, Limitation of Liability, and ADR Clauses in Engagement Letters</i>	Comments due November 8, 2006.
AICPA PEEC Proposed Revision to Interpretation 101-3 Under Rule 101: <i>Performance of Nonattest Services: Forensic Accounting Services and Tax Compliance Services</i>	Comments due November 8, 2006.

SEC	Status
Significant Adoption Dates	
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Foreign Private Issuers That Are Accelerated Filers</i>	For FPIs that are accelerated filers (but not large accelerated filers), auditor's attestation report on internal control over financial reporting must be included with annual reports for fiscal years ending on or after July 15, 2007. Management's report is required for fiscal years ending on or after July 15, 2006.
Final Rule, <i>Executive Compensation and Related Person Disclosure</i>	In Forms 8-K, effective for triggering events that occur on or after 60 days after publication in the Federal Register and in Forms 10-K and 10KSB for fiscal years ending on or after December 15, 2006, and in registration and proxy/information statements filed after December 15, 2006.
Final Rule, <i>Fund of Funds Investments</i>	Effective July 31, 2006.
SEC Amendments to Forms N-1A, N-2, N-3, N-4, and N-6	All new registration statements filed on the investment company forms and all post-effective amendments that are annual updates to effective registration statements on the investment company forms filed on or after January 2, 2007, must include the disclosure required by the form amendments.
Final Rule, <i>Postponement of the Phase-in Period for Acceleration of Periodic Report Filing Dates for Large Accelerated Filers and Accelerated Filers</i>	Effective December 27, 2005.
Final Rule, <i>Securities Offering Reform</i>	Effective December 1, 2005.
Final Rule, <i>Use of Form S-8, Form 8-K, and Form 20-F by Shell Companies</i>	Effective August 22, 2005, except that Form 8-K, Item 5.06 is effective November 7, 2005.
Final Rule, <i>First-Time Application of International Financial Reporting Standards</i> (amendments to Form 20-F)	Rule will apply to foreign private issuers that adopt IFRS prior to or for the first financial year starting on or after January 1, 2007.
Final Rule, <i>Amendment to Rule 4-01(a) of Regulation S-X Regarding the Compliance Date for Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment</i>	Effective for public entities (other than those filing as small business issuers) as of the first interim or annual reporting period of the registrant's first fiscal year that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply Statement 123(R) in the first interim or annual reporting period of the registrant's first fiscal year that begins after December 15, 2005.
Final Rule, <i>Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports</i> (an extension of compliance date)	Effective for fiscal years ending on or after November 15, 2004, for certain "accelerated filers." Effective for fiscal years ending on or after July 15, 2007, for "nonaccelerated filers," including foreign private issuers that are not accelerated filers. Effective for fiscal years ending on or after July 15, 2006, for foreign private issuers that are accelerated filers and file annual reports on forms 20-F or 40-F.
SAB 108 (on the process of quantifying financial statement misstatements)	Effective for annual financial statements covering the first fiscal year ending after November 15, 2006.
SAB 107 (on the interaction between FASB Statement No. 123(R), <i>Share-Based Payment</i> , and certain SEC rules and regulations)	Effective upon the adoption of Statement 123(R).
Changes to Executive Compensation Disclosures	Effective December 15, 2006.
Request for Additional Comments on <i>Interpretive Release, Commission Guidance Regarding Client Commission Practices Under Section 28(e) of the Securities Exchange Act of 1934</i>	Interpretive Release is effective July 24, 2006; market participants, however, will be able to rely on prior SEC guidance for six months following publication. Additional comments related to the revised interpretation of the safe harbor with respect to client commission arrangements under Section 28(e) are due September 7, 2006.

Projects in Request-for-Comment Stage	
Request for Feedback on Experiences With Interactive Data and XBRL	Comments may be submitted throughout 2006 as roundtable topics and dates are announced.
Request for Comments on proposed requirement for compensation disclosure on up to three additional employees who are not executive officers and whose total compensation exceeds that of any of the named executive officers	Comments due October 23, 2006.
PCAOB	Status
Significant Adoption Dates	
Auditing Standard No. 4, <i>Reporting on Whether a Previously Reported Material Weakness Continues to Exist</i>	Effective February 6, 2006.
Auditing Standard No. 2, <i>An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements</i>	Effective for fiscal years ending on or after November 15, 2004, for certain "accelerated filers." Effective for fiscal years ending on or after July 15, 2007, for "nonaccelerated filers," including foreign private issuers that are not accelerated filers. Effective for fiscal years ending on or after July 15, 2006, for foreign private issuers that are accelerated filers and file annual reports on forms 20-F or 40-F.
<i>Conforming Amendments to PCAOB Interim Standards Resulting From the Adoption of PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements"</i>	Effective for integrated audits of financial statements at the same time as Auditing Standard No. 2. Effective for audits of only financial statements for periods ending on or after July 15, 2005.
Rule 3524, <i>Audit Committee Pre-approval of Certain Tax Services</i>	Rule will not apply to any tax service pre-approved on an engagement-by-engagement basis before June 18, 2006. With respect to tax services provided to audit clients whose audit committees pre-approve tax services pursuant to policies and procedures, the rule will not apply to any such tax service that is begun by April 20, 2007.
Rule 3523, <i>Tax Services for Persons in Financial Reporting Oversight Roles</i>	Rule will not apply to tax services being provided pursuant to an engagement in process at April 19, 2006, provided that such services are completed on or before October 31, 2006.
Rule 3522, <i>Tax Transactions</i>	Rule will not apply to tax services that are completed by a registered public accounting firm prior to June 18, 2006.
Rule 3521, <i>Contingent Fees</i>	Rule will not apply to contingent fee arrangements that prior to June 18, 2006, were (1) paid in their entirety, (2) converted to fixed fee arrangements, or (3) otherwise unwound.
Rule 3501, <i>Definitions of Terms Employed in Section 3, Part 5 of the Rules</i> ; Rule 3502, <i>Responsibility Not to Knowingly or Recklessly Contribute to Violations</i> ; Rule 3520, <i>Auditor Independence</i>	Effective April 29, 2006.
IASB/IFRIC	Status
Significant Adoption Dates	
IFRS 7, <i>Financial Instruments: Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement</i> , and IFRS 4, <i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — The Fair Value Option</i>	Effective for annual periods beginning on or after January 1, 2006.

Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 21, <i>The Effects of Changes in Foreign Exchange Rates — Net Investment in a Foreign Operation</i>	Effective for annual periods ending on or after January 1, 2006.
Amendment to IAS 19, <i>Employee Benefits</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 1, <i>Presentation of Financial Statements — Capital Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
IFRIC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	Effective for annual periods beginning on or after November 1, 2006.
IFRIC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	Effective for annual periods beginning on or after June 1, 2006.
IFRIC Interpretation 8, <i>Scope of IFRS 2</i>	Effective for annual periods beginning on or after May 1, 2006.
IFRIC Interpretation 7, <i>Applying the Restatement Approach Under IAS 29, Financial Reporting in Hyperinflationary Economies</i>	Effective for annual periods beginning on or after March 1, 2006.
IFRIC Interpretation 6, <i>Liabilities Arising From Participating in a Specific Market — Waste Electrical and Electronic Equipment</i>	Effective for annual periods beginning on or after December 1, 2005.
IFRIC Interpretation 5, <i>Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRIC Interpretation 4, <i>Determining Whether an Arrangement Contains a Lease</i>	Effective for annual periods beginning on or after January 1, 2006.
Projects in Exposure-Draft Stage	
Proposed Amendments to IAS 32, <i>Financial Instruments: Presentation</i> and IAS 1, <i>Presentation of Financial Statements — Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation</i>	Comments due October 23, 2006.
Draft Interpretation D19, <i>IAS 19 — The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements</i>	Comments due October 31, 2006.
Draft Interpretation D20, <i>Customer Loyalty Programmes</i>	Comments due November 6, 2006.

Appendix C: Roundup Flash

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

FASB Developments

FASB Issues New Pension Standard, Statement 158

- AFFECTS:** All entities.
- SUMMARY:** The Statement requires a company that sponsors a postretirement benefit plan to **fully recognize, as an asset or liability, the overfunded or underfunded status of its benefit plan(s)**. It also requires a company to measure its plan assets and benefit obligations as of its year-end balance sheet date.
- NEXT STEPS:** For entities with publicly traded equity securities, certain provisions are effective for fiscal years ending after December 15, 2006. Those same provisions for all other entities are effective for fiscal years ending after June 15, 2007. For all entities, the provision to require measurement at the entity's year-end balance sheet date is effective for fiscal years ending after December 15, 2008.

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

- AFFECTS:** All entities that apply fair value measurements.
- SUMMARY:** The new Statement provides a single definition of fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities. Statement 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets.
- NEXT STEPS:** Effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged.

FSP on Planned Major Maintenance Activities

- AFFECTS:** Entities with planned major maintenance activities.
- SUMMARY:** The FSP prohibits the use of the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim reporting periods (i.e., periodic major overhauls and maintenance of plant and equipment).
- NEXT STEPS:** The FSP is effective for the first fiscal year beginning after December 15, 2006. The FSP should be applied retrospectively for all financial statements presented unless doing so is impracticable. Earlier adoption is permitted as of the beginning of an entity's fiscal year.

EITF Developments

EITF Meeting

- AFFECTS:** All companies.
- SUMMARY:** Topics discussed, final consensuses, and tentative conclusions reached at the EITF meeting held on September 7, 2006.
- NEXT STEPS:** Comments on issues with tentative conclusions are due October 13, 2006.

GASB Developments

Statement on Accounting for Sales and Pledges of Receivables and Future Revenues

- AFFECTS:** State and local governmental entities.
- SUMMARY:** The GASB issued Statement 48,²¹ which clarifies the guidance on accounting for sales and pledges of receivables and future revenues.
- NEXT STEPS:** Effective for financial statements for periods beginning after December 15, 2006.

GASB Adds Project to Technical Plan to Enhance Disclosure Requirements of Governmental Pension Plans

- AFFECTS:** State and local governmental entities.
- SUMMARY:** The GASB announced that it has added a project that will likely require state and local governments to provide enhanced disclosures and supplementary information about their pension plans to users of governmental financial statements.
- NEXT STEPS:** A formal Exposure Draft is expected before the end of 2007.

AICPA Developments

Exposure Draft Proposing New and Revised Interpretations Under Rule 101, *Independence*

- AFFECTS:** Members of AICPA.
- SUMMARY:** Omnibus Exposure Draft containing proposed guidance regarding independence and the use of indemnification and limitation of liability provisions and the performance of forensic accounting services.
- NEXT STEPS:** Comments are due November 8, 2006.

SEC Developments

SAB 108 Provides Guidance on Materiality

- AFFECTS:** Public entities and their auditors.
- SUMMARY:** SAB 108 requires registrants to use both a balance sheet (iron curtain) and an income statement (rollover) approach when quantifying and evaluating the materiality of a misstatement. The SAB provides for a cumulative-effect adjustment in the year of initial application.
- NEXT STEPS:** Effective for annual financial statements covering the first fiscal year ending after November 15, 2006, with earlier application encouraged for any interim period of the first fiscal year ending after November 15, 2006, and filed after September 13, 2006.

²¹ GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

OCA Expresses Its Views on the Appropriate Application of the Stock Option Accounting Literature

- AFFECTS:** Public entities that grant stock options.
- SUMMARY:** The letter outlines the OCA's views on the appropriate application of the relevant accounting guidance for stock options. Generally, the topics discussed relate to the appropriateness of a company's determination of the measurement date of past stock option awards under APB Opinion No. 25, *Accounting for Stock Issued to Employees*.

SEC Moves Forward With Its Commitment to XBRL

- AFFECTS:** Public companies and their auditors.
- SUMMARY:** The SEC awarded three separate contracts totaling \$54 million for various projects in an effort to transform the public company disclosure system to a fully interactive system. XBRL-US will become an independent, not-for-profit organization.

International Developments

IFRIC Publishes Proposed Guidance on Customer Loyalty Programs

- AFFECTS:** Entities with customer award programs and who apply IFRS.
- SUMMARY:** The Draft Interpretation²² addresses how an entity should recognize and measure its obligations to provide free or discounted goods or services if and when the customers redeem the award credits.
- NEXT STEPS:** Comments are due November 6, 2006.

Other Developments

Interagency Guidance Issued on Nontraditional Mortgage Products

- AFFECTS:** Financial institutions with "nontraditional" mortgage loans in their portfolio.
- SUMMARY:** Federal financial regulatory agencies issued final guidance to discuss the appropriate risk management policies for portfolios with "nontraditional" mortgage loans.
- NEXT STEPS:** Comments on a document that includes proposed illustrations providing consumer information for nontraditional mortgage products are due 60 days after publication in the Federal Register.

²² IFRIC Draft Interpretation D20, *Customer Loyalty Programmes*.

Appendix D: Abbreviations

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

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

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

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