

# Accounting Roundup.

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# Roundup Flash

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

## FASB Developments

### Statement on Accounting for Financial Guarantee Insurance Contracts Proposed

- AFFECTS:** All insurance entities.
- SUMMARY:** The proposed Statement's<sup>1</sup> objective is to clarify the accounting for financial guarantee insurance contracts by reducing diversity in practice and increasing comparability of financial reporting information and disclosures.
- NEXT STEPS:** Comments are due by June 18, 2007.

### Statement 133 Implementation Issue C21 Proposed

- AFFECTS:** All entities.
- SUMMARY:** To address questions about Statement 133<sup>2</sup> scope exceptions, the FASB has proposed Implementation Issue C21,<sup>3</sup> which provides guidance on whether an option is indexed to the issuer's own stock and, if so, whether the option should be classified as part of stockholders' equity.
- NEXT STEPS:** Comments are due by May 24, 2007.

### Amendment of Interpretation 39 Issued

- AFFECTS:** Entities with derivative instruments offset under a master netting arrangement.
- SUMMARY:** The FASB has issued FSP FIN 39-1<sup>4</sup> to amend certain portions of Interpretation 39.<sup>5</sup> The FSP replaces the terms "conditional contracts" and "exchange contracts" in Interpretation 39 with the term "derivative instruments" as defined in Statement 133. The FSP also amends Interpretation 39 to allow for the offsetting of fair value amounts for the right to reclaim cash collateral or receivable, or the obligation to return cash collateral or payable, arising from the same master netting arrangement as the derivative instruments.
- NEXT STEPS:** The guidance in this FSP is effective for fiscal years beginning after November 15, 2007, with early application permitted.

## AICPA Developments

### ASB Interpretation on the Confirmation Process

- AFFECTS:** All auditors.
- SUMMARY:** The ASB has issued an auditing interpretation of AU Section 330.<sup>6</sup> The interpretation focuses on the use of electronic confirmations in an audit engagement.
- NEXT STEPS:** The interpretation was effective upon issuance.

<sup>1</sup> Proposed FASB Statement, *Accounting for Financial Guarantee Insurance Contracts* — an interpretation of FASB Statement No. 60.

<sup>2</sup> FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

<sup>3</sup> Proposed Statement 133 Implementation Issue No. C21, "Scope Exceptions: Whether Options (Including Embedded Conversion Options) Are Indexed to Both an Entity's Own Stock and Currency Exchange Rates."

<sup>4</sup> FASB Staff Position No. FIN 39-1, "Amendment of FASB Interpretation No. 39."

<sup>5</sup> FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* — an interpretation of APB Opinion No. 10 and FASB Statement No. 105.

<sup>6</sup> AICPA *Professional Standards*, AU Section 330, "The Confirmation Process."

## Audit Risk Alerts Issued

- AFFECTS:** All auditors and financial statement preparers in the investment company industry.
- SUMMARY:** The AICPA has issued an investment company industry development audit risk alert. This risk alert updates readers on recent economic, industry, technical, regulatory, and professional developments in the investment company industry. The AICPA has also issued a general audit risk alert that addresses current accounting, auditing, and professional practice issues and includes guidance issued by the FASB, PCAOB, and AICPA since the last general risk alert.
- NEXT STEPS:** Effective immediately.

## SEC Developments

### Compliance and Disclosure Interpretations Issued

- AFFECTS:** All public entities.
- SUMMARY:** The SEC's Division of Corporation Finance has issued compliance and disclosure interpretations on Rule 144<sup>7</sup> of the Securities Act of 1933 (the "Securities Act"). The interpretations contain general-applicability questions and answers and interpretive responses addressing particular situations.
- NEXT STEPS:** The interpretations were effective immediately upon issuance.

### Section 18 of the Securities Act Amended

- AFFECTS:** Entities with securities listed on the NASDAQ.
- SUMMARY:** The SEC has adopted an amendment to Rule 146(b) of the Securities Act that designates securities listed, or authorized for listing, on the NASDAQ Capital Market as covered securities under Section 18 of the Securities Act. This amendment will exempt those securities from state registration requirements.
- NEXT STEPS:** The rule is effective on May 24, 2007.

### Concerns About Strategies Associated With the Adoption of Statement 159

- AFFECTS:** Entities adopting Statement 159.<sup>8</sup>
- SUMMARY:** The SEC staff, in a meeting with the large accounting firms, expressed concerns about the financial reporting of certain strategies associated with the adoption of Statement 159, including certain proposed accounting for sale strategies, extinguishment strategies, or both, that result in nontransparent financial reporting. The Center for Audit Quality has also issued an alert regarding early adoption of Statement 159. The alert warns auditors to exercise appropriate professional skepticism in the event an entity adopts Statement 159 in a manner contrary to the principles and objectives of the standard.

### Commissioners Endorse Improvements to Sarbanes-Oxley Act

- AFFECTS:** All public entities.
- SUMMARY:** The SEC commissioners have endorsed recommendations from the SEC staff regarding the PCAOB's two proposed auditing standards, *An Audit of Internal Control Over Financial Reporting That Is Integrated With An Audit of Financial Statements* and *Considering and*

<sup>7</sup> Securities Act of 1933, Rule 144, "Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters."

<sup>8</sup> FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* — including an amendment of FASB Statement No. 115.

*Using the Work of Others in an Audit.* The SEC commissioners also asked the SEC staff to continue working closely with the PCAOB to improve the efficiency and cost-effectiveness of the internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002.

**NEXT STEPS:** The SEC expects the PCAOB to submit its final standards to the SEC for approval during May or June of 2007.

### Next Steps to IFRSs Announced

**AFFECTS:** All public entities.

**SUMMARY:** On April 24, 2007, the SEC announced some important next steps it intends to take regarding the acceptance of financial statements prepared in accordance with IFRSs.

**NEXT STEPS:** The SEC is expected to issue two important documents for comment this summer concerning rule changes that may affect both foreign and U.S. registrants in the near future.

### Staff Provides Views on Interpretation 48

**AFFECTS:** All entities.

**SUMMARY:** At the April 17, 2007, AICPA SEC Regulations Committee meeting, the SEC staff discussed its **preliminary** views on three questions relating to Interpretation 48.<sup>9</sup>

### Clarifying Guidance Issued on Certain SEC Financial Statement Presentation Issues

**AFFECTS:** All public entities.

**SUMMARY:** The AICPA SEC Regulations Committee recently discussed with the SEC staff the application of SEC Regulation S-X, Rule 3-10,<sup>10</sup> and SEC Regulation S-X, Rule 3-16.<sup>11</sup> These rules provide guidance on financial statement and disclosure requirements to registrants whose registered securities are guaranteed or collateralized.

### Anti-Money-Laundering Compliance Tool Introduced

**AFFECTS:** Broker-dealer entities.

**SUMMARY:** The SEC has made available a new tool to assist broker-dealers with their anti-money-laundering (AML) compliance efforts under statutory and regulatory provisions as well as the rules of securities self-regulatory organizations. The AML Source Tool was originally developed by the SEC's Office of Compliance Inspections and Examinations for use in SEC examinations.

## PCAOB Developments

### New Auditing Standard Proposed

**AFFECTS:** All public entities and their auditors.

**SUMMARY:** The PCAOB has proposed a new auditing standard,<sup>12</sup> which includes amendments to the interim standards, for public comment. The proposed standard would supersede AU Section 420<sup>13</sup> with a new auditing standard, remove the GAAP hierarchy from the interim auditing standards, and make other conforming amendments to the interim auditing standards.

**NEXT STEPS:** Comments are due by May 18, 2007.

<sup>9</sup> FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109.

<sup>10</sup> SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered."

<sup>11</sup> SEC Regulation S-X, Rule 3-16, "Financial Statements of Affiliates Whose Securities Collateralize an Issue Registered or Being Registered."

<sup>12</sup> Proposed PCAOB Auditing Standard, *Evaluating Consistency of Financial Statements and Proposed Amendments to Interim Auditing Standards*.

<sup>13</sup> AICPA *Professional Standards*, AU Section 420, "Consistency of Application of Generally Accepted Accounting Principles."

### Concept Release on Tax Services Issued

**AFFECTS:** All public entities and their auditors.

**SUMMARY:** The concept release requests public comment on one issue of Rule 3523:<sup>14</sup> the provision of tax services to persons in a financial reporting oversight role during the portion of the audit period that precedes the professional engagement period. The implementation schedule of Rule 3523 is also being extended to allow time for consideration of comments raised during the comment period of the concept release. Rule 3523 will not apply to tax services provided on or before July 31, 2007, when the services are provided during the audit period and are completed before the professional engagement period begins.

**NEXT STEPS:** Comments are due by May 18, 2007.

### Guidance on Tax Transactions and Tax Services Issued

**AFFECTS:** All public entities and their auditors.

**SUMMARY:** As encouraged by the SEC, the PCAOB staff has issued additional guidance, in question-and-answer form, on implementing PCAOB Rules 3522<sup>15</sup> and 3523.

### Report on Auditors' Implementation of Internal Control Standard Issued

**AFFECTS:** All public entities and their auditors.

**SUMMARY:** The PCAOB has issued a report on the second-year implementation of Auditing Standard 2.<sup>16</sup> The report is based on the results of the PCAOB's inspections of various audits of internal controls over financial reporting and reports performed by public accounting firms registered with the PCAOB.

## GASB Developments

### Project Added to Help Governments Report Performance Information

**AFFECTS:** State and local governmental entities.

**SUMMARY:** The GASB has added a project, known as Service Efforts and Accomplishments Reporting, to its current agenda. The project will help governments report on whether they have achieved their public policy goals.

<sup>14</sup> PCAOB Rule No. 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*.

<sup>15</sup> PCAOB Rule No. 3522, *Tax Transactions*.

<sup>16</sup> PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*.

# Roundup Articles

## FASB Developments

### Statement on Accounting for Financial Guarantee Insurance Contracts Proposed

Currently, there are differences in how insurance enterprises account for financial guarantee insurance contracts under Statement 60.<sup>17</sup> This leads to differences in the recognition and measurement of claim liabilities. To address this issue, the FASB has issued a proposed Statement<sup>18</sup> that would require insurance enterprises to:

- Recognize insurance premium revenue as the ratio of the insured contractual payments made on the insured financial obligation during the reporting period to the total of all insured contractual payments to be made on the insured financial obligation over the period of the contract, regardless of when the premium is received from the policyholder.
- Recognize a claim liability when an insurance enterprise expects that a claim loss will exceed the unearned premium revenues.
- Measure a claim liability on the basis of the present value of expected cash flows.
- Provide additional disclosures regarding financial guarantee insurance contracts, including information contained in the surveillance list used to evaluate credit deterioration (e.g., surveillance categories, policies for placing an insured financial obligation in those surveillance categories, monitoring of surveillance categories, and detailed information about the insured financial obligations included in the surveillance categories).

The proposed Statement would be effective for financial statements issued for fiscal years beginning after December 15, 2007, and all interim periods within those fiscal years. Earlier application would not be permitted.

The comment deadline for the proposed Statement is June 18, 2007. The full text of the [proposed Statement](#) is available on the FASB's Web site.

### Statement 133 Implementation Issue C21 Proposed

Paragraph 11(a) of Statement 133<sup>19</sup> provides that a reporting entity should not consider contracts it issues or holds to be derivative instruments if these contracts are (1) indexed to its own stock **and** (2) classified in stockholders' equity in its statement of financial position. The issuer should account for option contracts that meet the scope exception in paragraph 11(a) of Statement 133 as equity instruments rather than derivative instruments. Paragraph 12 of Statement 133 indicates that when certain criteria are met, an embedded derivative instrument should be separated from the host contract and accounted for as a derivative instrument.

To address questions about Statement 133 scope exceptions, the FASB has proposed Implementation Issue C21.<sup>20</sup> The Implementation Issue would clarify the following regarding the paragraph 11(a) scope exception:

- An option to acquire a fixed number of equity shares from an issuer, with an exercise price denominated in a currency other than the functional currency of the issuer, is not considered indexed only to the issuer's own stock and, therefore, would not meet the requirements for a scope exception.
- The currency in which the exchange that the issuer's equity shares are traded does not affect the determination of whether an option to acquire a fixed number of equity shares from an issuer is indexed to the stock of that issuer.

<sup>17</sup> FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*.

<sup>18</sup> Proposed FASB Statement, *Accounting for Financial Guarantee Insurance Contracts* — an interpretation of FASB Statement No. 60.

<sup>19</sup> FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

<sup>20</sup> Proposed Statement 133 Implementation Issue No. C21, "Scope Exceptions: Whether Options (Including Embedded Conversion Options) Are Indexed to Both an Entity's Own Stock and Currency Exchange Rates."

The proposed effective date of Implementation Issue C21 would be the first day of the first fiscal quarter after the cleared guidance is posted on the FASB's Web site. The guidance should be applied to all financial instruments that the reporting entity enters into or modifies on or after the effective date. For all financial instruments accounted for previously, the effective date of the Implementation Issue would be the beginning of the reporting entity's first fiscal year beginning after the cleared guidance is posted on the FASB's Web site. Earlier application would not be permitted.

Comments are due by May 24, 2007. The [full text](#) of Implementation Issue C21 is available on the FASB's Web site.

## **Amendment of Interpretation 39 Issued**

Interpretation 39<sup>21</sup> specifies what conditions must be met for an entity to have the right to offset assets and liabilities in the balance sheet and clarifies when it is appropriate to offset amounts recognized for forward, interest rate swap, currency swap, option, and other conditional or exchange contracts. The Interpretation also permits offsetting of fair value amounts recognized for multiple contracts executed with the same counterparty under a master netting arrangement.

To address questions received by the FASB staff regarding Interpretation 39, the FASB has issued FSP FIN 39-1,<sup>22</sup> which amends certain portions of the Interpretation. The FSP replaces the terms "conditional contracts" and "exchange contracts" in Interpretation 39 with the term "derivative instruments" as defined in Statement 133. The FSP also amends Interpretation 39 to allow for the offsetting of fair value amounts for the right to reclaim cash collateral or receivable, or the obligation to return cash collateral or payable, arising from the same master netting arrangement as the derivative instruments.

The guidance in this FSP is effective for fiscal years beginning after November 15, 2007, with early application permitted. The effects of applying the guidance in this FSP should be recognized as a retrospective change in accounting principle for all financial statements presented.

The [text](#) of FSP FIN 39-1 is available on the FASB's Web site.

## **AICPA Developments**

### **ASB Interpretation on the Confirmation Process**

The ASB has issued an interpretation on AU Section 330.<sup>23</sup> The interpretation focuses on the use of electronic confirmations in an audit engagement, stating that a properly controlled electronic confirmation can be considered reliable audit evidence. However, electronic confirmations pose risks similar to those of paper confirmations, such as interception, alteration, and fraud. When using electronic confirmations, the auditor should consider the risk that (1) the confirmation response might not be from the proper source, (2) the respondent might not be authorized to respond, and (3) the integrity of the transmission might be compromised.

The interpretation's [full text](#) is available on the AICPA's Web site.

### **Audit Risk Alerts Issued**

The AICPA has issued an audit risk alert for the investment company industry. This alert gives financial statement preparers and auditors an overview of recent economic, industry, technical, regulatory, and professional developments.

The AICPA has also issued a general audit risk alert. This risk alert addresses current accounting, auditing, and professional practice issues and includes guidance issued by the FASB, PCAOB, and AICPA since the last general risk alert.

<sup>21</sup> FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* — an interpretation of APB Opinion No. 10 and FASB Statement No. 105.

<sup>22</sup> FASB Staff Position No. FIN 39-1, "Amendment of FASB Interpretation No. 39."

<sup>23</sup> AICPA *Professional Standards*, AU Section 330, "The Confirmation Process."

## SEC Developments

### Compliance and Disclosure Interpretations Issued

On April 2, 2007, the SEC issued compliance and disclosure interpretations on Rule 144<sup>24</sup> of the Securities Act of 1933 (the "Securities Act"). The interpretations contain general-applicability questions and answers and interpretive responses addressing particular situations.

The interpretations replace those included in the July 1997 *Manual of Publicly Available Telephone Interpretations*, the March 1999 *Supplement to the Manual of Publicly Available Telephone Interpretations*, and the November 2000 *Current Issues and Rulemaking Projects Outline*.

The interpretations are effective immediately upon issuance. The [text](#) of the interpretations is available on the SEC's Web site.

### Section 18 of the Securities Act Amended

Section 18 of the Securities Act exempts covered securities listed, or authorized for listing, on "Named Markets" — including the New York Stock Exchange, the American Stock Exchange, the National Market System of the NASDAQ Stock Market (NASDAQ), and any national securities exchange with similar listing standards as designated by the SEC and listed in Rule 146(b) — from state registration requirements.

The NASDAQ petitioned the SEC to amend Rule 146(b) to conclude that its listing standards on the NASDAQ Capital Market are substantially similar to those of the Named Markets. On April 18, 2007, the SEC approved a proposed rule change that amended Rule 146(b) to designate securities listed, or authorized for listing, on the NASDAQ Capital Market as covered securities under Section 18(b)(1) of the Securities Act.

The final rule<sup>25</sup> will become effective May 24, 2007. The [full text](#) of the final rule is available on the SEC's Web site.

### Concerns About Strategies Associated With the Adoption of Statement 159

In a meeting with the large accounting firms, the SEC expressed concerns about the financial reporting of certain strategies associated with the adoption of Statement 159,<sup>26</sup> which permits entities to irrevocably elect to carry almost any financial instrument at fair value. Upon adoption of Statement 159, if an entity elects to apply the fair value option (FVO) to specific items, the entity reports the difference between the items' carrying value and their fair value as a cumulative-effect adjustment to the opening balance of retained earnings.

In certain sale strategies, extinguishment strategies, or both, after the initial adoption of Statement 159, the reporting entity derecognizes the financial asset or financial liability carried at fair value. If the asset or liability is replaced, it is replaced with an item that will not be accounted for at fair value.

The SEC staff has advised that if, in conjunction with the adoption of Statement 159, an entity plans to employ a sale or extinguishment strategy, a registrant should examine whether its accounting is consistent with the objective and spirit of Statement 159. For instance, some strategies may raise questions about whether the purpose of electing the FVO is to avoid recognizing unrealized losses in income rather than to measure financial assets or financial liabilities at fair value in future periods. The SEC staff has indicated that it may question financial reporting that does not appear consistent with the objectives and spirit of Statement 159.

The SEC staff also stressed that if the accounting for a sale or extinguishment strategy is appropriate, an entity should make disclosures that provide sufficient transparency to users.

The Center for Audit Quality (CAQ) has also issued an alert regarding early adoption of Statement 159. The alert warns auditors to exercise appropriate professional skepticism in the event an entity adopts Statement 159 in a manner contrary to the principles and objectives of the standard.

<sup>24</sup> Securities Act of 1933, Rule 144, "Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters."

<sup>25</sup> SEC Final Rule, *Covered Securities Pursuant to Section 18 of the Securities Act of 1933*.

<sup>26</sup> FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* — including an amendment of FASB Statement No. 115.



The alert provides an example of an entity electing the FVO for underwater available-for-sale and held-to-maturity investment securities and certain financial liabilities through a charge to retained earnings. The entity then disposes of the investments, settles the liabilities, and does not elect the FVO for newly acquired investments or issued liabilities. Going forward, the entity thus appears to have little or no intent to use the FVO, which contradicts the principles and objectives of Statement 159.

Other questions the alert addresses regarding an entity's assessment of the appropriateness of Statement 159 include:

- Is the entity able to adopt FASB Statement No. 157, *Fair Value Measurements*, concurrently with Statement 159?
- Is the adoption of Statement 159 primarily for the accounting result of recording unrealized losses through retained earnings?
- Has the entity communicated (to the board of directors, audit committee, analysts, etc.) its intent to elect the FVO and to use it as a measurement after initial adoption?
- Does the sale of securities classified as held-to-maturity or available-for-sale after adoption of Statement 159 question management's assertion regarding the intent and ability to hold impaired securities until they have matured or recovered their value?
- Is the planned adoption approach for Statements 157 and 159 consistent with prior disclosures of their potential impact?
- Have management and the audit committee discussed the disclosure requirements associated with early adoption of Statement 159?

If an entity proposes to elect the FVO solely to achieve an accounting result contrary to the principles and objectives of Statement 159, the auditor should conclude that the entity's proposed accounting is a departure from GAAP. When early adoption of Statement 159 is appropriate, entities should provide clear and transparent disclosures for the reasoning behind electing the FVO for specific financial assets and financial liabilities and for not electing the FVO for other similar items.

The CAQ [Alert](#) is available on the AICPA's Web site.

For more information about (1) certain investment strategies associated with the adoption of Statement 159, (2) the SEC's concerns, and (3) the CAQ Alert, see Deloitte & Touche LLP's Accounting Alerts [07-4, Accounting Consequences of Certain Investment Strategies in Connection With the Adoption of FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities](#); [07-5, SEC Expresses Concerns About Financial Reporting of Certain Strategies Related to the Adoption of Statement 159](#); and [07-6, Center for Audit Quality Issues Letter Concerning Adoption of Statement 159](#).

## Commissioners Endorse Improvements to Sarbanes-Oxley Act

On April 4, 2007, the SEC held a meeting to discuss the PCAOB's two proposed auditing standards, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* and *Considering and Using the Work of Others in an Audit*, as well as the SEC's proposed management guidance on Section 404 of the Sarbanes-Oxley Act of 2002. The SEC staff presented the SEC commissioners with the following four recommendations to provide the PCAOB for consideration and discussion:

- Improving the alignment between the PCAOB's forthcoming auditing standard and the SEC's proposed new management guidance under Section 404.
- Scaling the Section 404 audit to the particular facts and circumstances of companies — particularly smaller companies.
- Encouraging auditors to use professional judgment in the Section 404 process.
- Following a principles-based approach to determine when and to what extent the auditor can use the work of others.

The SEC commissioners voted unanimously to approve each of the four recommendations. The SEC has requested the staff to continue working closely with the PCAOB to improve the efficiency and cost-effectiveness of the internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002.

In accordance with the Sarbanes-Oxley Act, the PCAOB auditing standards must first be approved by vote of the SEC. The SEC expects the PCAOB to submit its final standards to the SEC for approval during May or June, in time for the 2007 financial statement audits.

The [press release](#) announcing the SEC action is available on the SEC's Web site. Also, see Deloitte & Touche's [Heads Up](#) for more discussion on the SEC action.

## Next Steps to IFRSs Announced

On April 24, 2007, the SEC announced some important next steps it intends to take regarding the acceptance of financial statements prepared in accordance with IFRSs. The SEC is expected to issue two important documents for comment this summer concerning rule changes that may affect both foreign and U.S. registrants in the near future.

The first document is a proposed release that will request comment on an approach allowing the use of IFRSs in financial reports filed by foreign private issuers. This proposed approach would let foreign private issuers choose between using IFRSs or U.S. GAAP in preparing financial reports that are filed with the SEC. Currently, foreign private issuers that do not use U.S. GAAP in reporting their financial statements must reconcile those financial statements to U.S. GAAP. The approach in the proposed release would eliminate that reconciliation requirement for IFRS financial statements, beginning in 2009, and would only affect foreign private issuers that use IFRSs in preparing financial reports; U.S. issuers would not be given an alternative. To address this potential inconsistency, the SEC is expected to issue a concept release that will request comment on whether U.S. issuers should be permitted to use IFRSs in preparing their financial reports.

Comments on the proposed release and the concept release would be due in the fall of 2007.

## Staff Provides Views on Interpretation 48

At the April 17, 2007, AICPA SEC Regulations Committee meeting, the SEC staff provided its **preliminary**<sup>27</sup> views on three questions relating to Interpretation 48.<sup>28</sup> The following provides a summary of the SEC staff responses:

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

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

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

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

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

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

<sup>27</sup> Official meeting highlights are approved by the SEC and contain additional information, updates on issues discussed, and in some instances, revisions to the views expressed at the meeting; therefore, this meeting summary is not a substitute for the official highlights.

<sup>28</sup> FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109.

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

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

### **Clarifying Guidance Issued on Certain SEC Financial Statement Presentation Issues**

The AICPA SEC Regulations Committee recently discussed with the SEC staff the application of SEC Regulation S-X, Rule 3-10,<sup>29</sup> and SEC Regulation S-X, Rule 3-16,<sup>30</sup> which provide guidance on financial statement and disclosure requirements to registrants whose registered securities are guaranteed or collateralized.

The Committee held these discussions because of the limited interpretive guidance on these subjects. Furthermore, the Committee believes additional guidance would help ensure that investors are receiving the necessary information and that registrants can understand the reporting requirements for guarantees and collateral arrangements.

Two final discussion documents were provided from the SEC staff's views on [Rule 3-10](#) and [Rule 3-16](#) and posted on the AICPA's Web site.

### **Anti-Money-Laundering Compliance Tool Introduced**

Broker-dealers face anti-money-laundering (AML) obligations imposed by statutory and regulatory provisions, as well as related rules of the securities self-regulatory organizations. To help broker-dealers with their compliance efforts, the SEC has publicly made available the AML Source Tool, originally developed by the SEC's Office of Compliance Inspections and Examinations for use in SEC examinations.

The AML Source Tool organizes key AML compliance materials, such as laws, rules, and related guidance applicable to broker-dealers. Topics addressed by the Source Tool include the Bank Secrecy Act, the USA PATRIOT Act, AML compliance programs, customer identification programs, correspondent accounts, due diligence programs for private banking accounts, suspicious activity monitoring and reporting, other Bank Secrecy Act reports, records of funds transfers, information sharing with law enforcement and financial institutions, special measures imposed by the Secretary of the Treasury, Office of Foreign Asset Control sanctions programs and other lists, select additional AML resources, and useful contact information.

The [AML Source Tool](#) and a [press release](#) announcing its availability are available on the SEC's Web site.

## **PCAOB Developments**

### **New Auditing Standard Proposed**

As a result of the FASB's issuance of Statement 154<sup>31</sup> and the proposed Statement<sup>32</sup> on GAAP hierarchy, the PCAOB has proposed changes to its auditing standards. Statement 154 requires retrospective application for reporting changes in accounting principles, unless the transition guidance of a newly adopted accounting principle dictates otherwise, and redefines the term restatement as "the process of revising previously issued financial statements to reflect the correction of an error in those financial statements." The FASB's proposed Statement would incorporate the GAAP hierarchy from the PCAOB's interim auditing standards<sup>33</sup> into the FASB's accounting standards.

On April 3, 2007, the PCAOB proposed a new Auditing Standard,<sup>34</sup> which updates and clarifies the auditing standards as a result of the FASB's changes described above, including removing the GAAP hierarchy from the interim auditing standards

<sup>29</sup> SEC Regulation S-X, Rule 3-10, "Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered."

<sup>30</sup> SEC Regulation S-X, Rule 3-16, "Financial Statements of Affiliates Whose Securities Collateralize an Issue Registered or Being Registered."

<sup>31</sup> FASB Statement No. 154, *Accounting Changes and Error Corrections*.

<sup>32</sup> Proposed FASB Statement, *The Hierarchy of Generally Accepted Accounting Principles*.

<sup>33</sup> PCAOB AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.

<sup>34</sup> Proposed PCAOB Auditing Standard, *Evaluating Consistency of Financial Statements and Proposed Amendments to Interim Auditing Standards*.

upon the effective date of the FASB's proposed Statement. The proposed Auditing Standard also provides guidance on distinguishing between reporting on accounting changes and corrections of misstatements.

Under the proposed Auditing Standard, auditors would be required to evaluate the consistency of preceding periods covered by, and the effect of such changes on, the auditors' report. When evaluating the consistency of a company's financial statements, auditors should consider (1) a change in accounting principle, (2) a correction of a material misstatement in previously issued financial statements, and (3) a change in classification.

Comments are due by May 18, 2007. The proposed Standard's [full text](#), as well as a [press release](#) announcing it, is available on the PCAOB's Web site.

## Concept Release on Tax Services Issued

The PCAOB has issued a concept release to solicit public comment on the application of Rule 3523,<sup>35</sup> which provides that a firm would not be independent from an audit client if the firm, or an affiliate of the firm, provided tax services to a person in a financial reporting oversight role, or his or her immediate family, during the audit period but before the professional engagement period. This effectively prevents a firm from accepting a new audit client when the firm provided tax services during the period covered by the financial statements.

Unlike other SEC and PCAOB auditor independence rules, which prohibit providing certain nonaudit services to an audit client during an audit period, Rule 3523 applies only to services provided to individuals and not to the audit client itself.

The Board seeks comment on two specific questions related to the independence requirements of Rule 3523:

- To what extent, if any, is a firm's independence affected when the firm, or an affiliate of the firm, has provided tax services to a person covered by Rule 3523 during the portion of the audit period that precedes the professional engagement period?
- What effect, if any, would application of Rule 3523 to the audit period have on a company's ability to make scheduled or unscheduled changes in auditors? Could any such effect be minimized or managed through advanced planning or otherwise?

As a result of the comment period, the implementation schedule of Rule 3523 has also been extended. The rule will not be applied to tax services provided on or before July 31, 2007, if these services are provided during the audit period and are completed before the beginning of the professional engagement period.

Comments are due by May 18, 2007. The concept release's [full text](#), as well as a [press release](#) announcing it, is available on the PCAOB's Web site.

## Guidance on Tax Transactions and Tax Services Issued

Encouraged by the SEC to provide additional guidance on its rules on tax services and independence, the PCAOB has issued six staff Q&As on the implementation of Rules 3522<sup>36</sup> and 3523. The Q&As provide guidance on (1) tax transactions, including confidential transactions and aggressive tax position transactions, and (2) tax services for persons in financial reporting oversight roles.

The [Q&As](#) and a [press release](#) announcing their issuance are available on the PCAOB's Web site.

## Report on Auditors' Implementation of Internal Control Standard Issued

The PCAOB has issued a report on the second year of implementation of Auditing Standard 2.<sup>37</sup> The report details issues identified during the PCAOB inspection of 275 audits of internal control over financial reporting performed by public accounting firms registered with the PCAOB.

The 2006 inspections process focused on the following topics: (1) integrating the audits of financial statements and internal controls, (2) using a top-down approach, (3) using the work of others, and (4) assessing risk.

<sup>35</sup> PCAOB Rule 3523, *Tax Services for Persons in Financial Reporting Oversight Roles*.

<sup>36</sup> PCAOB Rule No. 3522, *Tax Transactions*.

<sup>37</sup> PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*.

The report found that most firms had made progress in integrating financial statement and internal control audits. The inspections also observed increased use of top-down approaches in internal control audits and greater focus on entity-level controls than on transaction or process-level controls. Several firms increased the work of others during year two and varied the level of testing on the basis of the level of risk involved. Along with the improvements made during the year, the PCAOB identified several ways auditors can improve the implementation of Auditing Standard 2, which were considered during development of the new proposed Auditing Standard.<sup>38</sup>

The [full text](#) of the Report on the Second-Year Implementation of Auditing Standard No. 2, as well as a [press release](#) announcing it, is available on the PCAOB's Web site.

## GASB Developments

### **Project Added to Help Governments Report Performance Information**

The GASB has added a new project, Service Efforts and Accomplishments (SEA) Reporting, to its agenda for helping governments communicate their performance results to the public. GASB research has shown that SEA reporting helps the public and its elected officials better determine to what extent governments are achieving their public policy goals.

The project is designed to create guidelines for voluntary reporting by governments; the GASB does not intend to require either SEA reporting or that governments report specific performance measures.

A [press release](#) announcing the project is available on the GASB's Web site.

<sup>38</sup> Proposed PCAOB Auditing Standard, *An Audit of Internal Control Over Financial Reporting That Is Integrated With An Audit of Financial Statements*.

# Appendix A: Recent Meetings

## Recent FASB Meetings

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

**No Board meetings were held during the week of April 2, 2007.**

### April 11, 2007

The Board discussed the following topics:

- [Conceptual Framework: Elements and Recognition](#).
- [Implementation Guidance for Interpretation 48](#).

### April 18, 2007

The Board discussed the following topics:

- [Business Combinations](#).
- Agenda Decision: Discontinued Operations.
- [Amendment to FASB Interpretation No. 39](#).
- [Open Discussion: Financial Guarantee Insurance](#).

### April 23–24, 2007

The FASB and IASB met in London for a joint meeting and discussed the following topics:

- [Intangible Assets](#).
- [Financial Instruments: Liabilities and Equity](#).
- [Conceptual Framework](#).
- [Business Combinations](#).
- [Accounting for Leases](#).

## 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 Meetings

There was no AcSEC meeting in April 2007. The next ASB meeting is scheduled for May 15–17, 2007.

## Recent ASB Meetings

There was no ASB meeting in April 2007. The next AcSEC meeting is scheduled for May 15–17, 2007.

## Recent FASAB Meetings

There was no FASAB meeting in April 2007. The next FASAB meeting is scheduled for May 23–24, 2007.

## Recent IASB Meetings

### April 17–19, 2007

The IASB met in London and discussed the following topics:

- Agenda Decision — Discontinued Operations.
- Annual Improvement Process.
- Business Combinations.
- Conceptual Framework.
- Financial Instruments — Due Process Document.
- Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation.
- Income Taxes (Short-term Convergence).
- Joint Ventures (Short-term Convergence).
- Liabilities — Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- Postemployment Benefits.

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

### April 23–24, 2007

The IASB and FASB met in London and discussed the following topics:

- Business Combinations.
- Conceptual Framework.
- Intangible Assets.
- Leases.
- Liability and Equity.

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

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

## Recent IFRIC Meetings

There was no IFRIC meeting in April 2007. The next IFRIC meeting is scheduled for May 3–4, 2007.

## Appendix B: Significant Adoption Dates and Deadlines

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

FASB	Status
<b>Significant Adoption Dates</b>	
Statement 159, <i>The Fair Value Option for Financial Assets and Financial Liabilities</i> — including an amendment of FASB Statement No. 115	Effective as of the beginning of the entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided that the entity (1) also adopts the requirements of Statement 157 concurrently with or prior to the adoption of this Statement, (2) makes that choice within 120 days of the beginning of the fiscal year of adoption, and (3) at the time the entity chooses to early adopt, the entity has not yet issued financial statements, including required notes to those financial statements, for any interim period of the fiscal year that included the early adoption date.
Statement 158, <i>Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans</i> — an amendment of FASB Statements No. 87, 88, 106, and 132(R)	Recognition of asset and liability related to funded status of a plan and disclosures: <ul style="list-style-type: none"> <li>For entities with publicly traded equity securities, effective for fiscal years ending after December 15, 2006.</li> <li>For all other entities, effective for fiscal years ending after June 15, 2007.</li> </ul> For all entities, change in measurement date is effective for fiscal years ending after December 15, 2008.
Statement 157, <i>Fair Value Measurements</i>	Effective for fiscal years beginning after November 15, 2007, and interim periods within those years. Earlier adoption is permitted, provided that no financial statements have yet been issued within that fiscal year.
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.
Interpretation 48, <i>Accounting for Uncertainty in Income Taxes</i> — an interpretation of FASB Statement No. 109	Effective for fiscal years beginning after December 15, 2006.
FSP FAS 158-1, "Conforming Amendments to the Illustrations in FASB Statements No. 87, No. 88, and No. 106 and to the Related Staff Implementation Guides"	Effective concurrently with the requirements of Statement 158.
FSP FAS 126-1, "Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities"	Effective for fiscal periods beginning after December 15, 2006. If an entity issues interim financial statements, the FSP shall be applied to the first interim period after the date of adoption.
FSP FAS 123(R)-6, "Technical Corrections of FASB Statement No. 123(R)"	Effective for the first reporting period beginning after October 20, 2006, or an earlier period for which financial statements have not yet been issued.
FSP FAS 123(R)-5, "Amendment of FASB Staff Position FAS 123(R)-1"	Effective for the first reporting period beginning after October 10, 2006, or an earlier period for which financial statements have not yet been issued.



FSP FAS 13-2, "Accounting for a Change or Projected Change in the Timing of Cash Flows Relating to Income Taxes Generated by a Leveraged Lease Transaction"	Effective for fiscal years beginning after December 15, 2006.
FSP FIN 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 AAG INV-1 and SOP 94-4-1, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans"	The financial statement presentation and disclosure guidance is effective for annual periods ending after December 15, 2006. The revised definition of "fully benefit-responsive" is effective for all investment contracts as of the last day of the annual period ending after December 15, 2006.
FSP EITF 00-19-2, "Accounting for Registration Payment Arrangements"	Effective immediately for registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified after December 21, 2006. Otherwise, effective for financial statements issued for fiscal years beginning after December 15, 2006, and interim periods within those fiscal years.
FSP AUG AIR-1, "Accounting for Planned Major Maintenance Activities"	Effective for first fiscal year beginning after December 15, 2006.
FSP FTB 85-4-1, "Accounting for Life Settlement Contracts by Third-Party Investors"	Effective for fiscal years beginning after June 15, 2006.
<b>Projects in Exposure-Draft or Request-for-Comment Stage</b>	
Proposed Statement, <i>Accounting for Financial Guarantee Insurance Contracts</i> — an interpretation of FASB Statement No. 60	Comments due June 18, 2007.
Proposed Statement 133 Implementation Issue C21, "Scope Exceptions: Whether Options (Including Embedded Conversion Options) Are Indexed to Both an Entity's Own Stock and Currency Exchange Rates"	Comments due May 24, 2007.
<b>EITF</b>	<b>Status</b>
<b>Significant Adoption Dates</b>	
Issue 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements"	Effective for fiscal years beginning after December 15, 2007, including interim periods within those fiscal years. Earlier application is permitted.
Issue 06-9, "Reporting a Change in (or the Elimination of) a Previously Existing Difference Between the Fiscal Year-End of a Parent Company and That of a Consolidated Entity or Between the Reporting Period of an Investor and That of an Equity Method Investee"	Effective for changes occurring in interim or annual reporting periods beginning after November 29, 2006.
Issue 06-8, "Applicability of the Assessment of a Buyer's Continuing Investment Under FASB Statement No. 66, <i>Sales of Real Estate</i> , for Sales of Condominiums"	Effective for first annual reporting period beginning after March 15, 2007.
Issue 06-7, "Issuer's Accounting for a Previously Bifurcated Conversion Option in a Convertible Debt Instrument When the Conversion Option No Longer Meets the Bifurcation Criteria in FASB Statement No. 133, <i>Accounting for Derivative Instruments and Hedging Activities</i> "	Effective for interim and annual periods beginning after December 15, 2006.
Issue 06-6, "Debtor's Accounting for a Modification (or Exchange) of Convertible Debt Instruments"	Applies to modifications (or exchanges) occurring in interim or annual reporting periods beginning after November 29, 2006.
Issue 06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance With FASB Technical Bulletin No. 85-4"	Effective for fiscal years beginning after December 15, 2006.

Issue 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"	Effective for fiscal years beginning after December 15, 2007.
Issue 06-3, "How Taxes Collected From Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)"	Effective for financial statements for interim and annual periods beginning after December 15, 2006.
Issue 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43"	Effective for fiscal years beginning after December 15, 2006.
Issue 06-1, "Accounting for Consideration Given by a Service Provider to a Manufacturer or Reseller of Equipment Necessary for an End-Customer to Receive Service From the Service Provider"	Effective for fiscal years beginning after June 15, 2007.
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.
<b>Project in Exposure-Draft or Request-for-Comment Stage</b>	
Proposed Issue 07-3, "Accounting for Nonrefundable Advance Payment for Goods or Services to Be Used in Future Research and Development Activities"	Comments due May 3, 2007.
<b>AICPA/AcSEC</b>	<b>Status</b>
<b>Significant Adoption Dates</b>	
SOP 05-1, <i>Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts</i>	Effective for internal replacements occurring in fiscal years beginning after December 15, 2006. Initial application of this SOP should be as of the beginning of an entity's fiscal year.
SAS 114, <i>The Auditor's Communication With Those Charged With Governance</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 113, <i>Omnibus — 2006</i>	The amendments in paragraphs 1–5 of this SAS are effective for audits of financial statements for periods beginning on or after December 15, 2006.  The amendments in paragraphs 7–14 of this SAS are effective for audits of financial statements for periods ending on or after December 15, 2006.
SAS 112, <i>Communicating Internal Control Matters Identified in an Audit</i>	Effective for audits of financial statements for periods ending on or after December 15, 2006.
SAS 111, <i>Amendment to Statement on Auditing Standards No. 39, Audit Sampling</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 110, <i>Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 109, <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 108, <i>Planning and Supervision</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 107, <i>Audit Risk and Materiality in Conducting an Audit</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 106, <i>Audit Evidence</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 105, <i>Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.

SAS 104, <i>Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures ("Due Professional Care in the Performance of Work")</i>	Effective for audits of financial statements for periods beginning on or after December 15, 2006.
SAS 103, <i>Audit Documentation</i>	Effective for audits of financial statements for periods ending on or after December 15, 2006.
SSAE 14, <i>SSAE Hierarchy</i>	Effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006.
Conforming changes to AICPA <i>Professional Standards</i> , AT Section 501, "Reporting on an Entity's Internal Control Over Financial Reporting," resulting from SAS 112	Effective when the subject matter or the assertion is as of or for the period ending on or after December 15, 2006.
AICPA <i>Professional Standards</i> , ET Section 100.01, "Conceptual Framework for AICPA Independence Standards"	Effective April 30, 2007.
<b>Project in Exposure-Draft Stage</b>	
Exposure Draft, AICPA Statement on Standards for Accounting and Review Services, <i>Elimination of Certain References to Statements on Auditing Standards and Incorporation of Appropriate Guidance Into Statements on Standards for Accounting and Review Services</i>	Comments due May 18, 2007.
<b>SEC</b>	<b>Status</b>
<b>Significant Adoption Dates</b>	
Final Rule, <i>Covered Securities Pursuant to Section 18 of the Securities Exchange Act of 1933</i>	Effective May 24, 2007.
Final Rule, <i>Termination of a Foreign Private Issuer's Registration of a Class of Securities Under Section 12(g) and Duty to File Reports Under Section 13(a) or 15(d) of the Securities Exchange Act of 1934</i>	Effective June 4, 2007.
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers and Newly Public Companies</i>	For nonaccelerated filers, auditor's attestation report on internal control over financial reporting must be included with annual reports for fiscal years ending on or after December 15, 2008. Management's report is required for fiscal years ending on or after December 15, 2007. For a newly public company, the requirement to provide either a management assessment of internal control over financial reporting or an auditor attestation report will be effective when it files its second annual report with the SEC.
Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Foreign Private Issuers That Are Accelerated Filers</i>	For foreign private issuers that are accelerated filers (but not large accelerated filers), auditor's attestation report on internal control over financial reporting must be included with annual reports for fiscal years ending on or after July 15, 2007. Management's report is required for fiscal years ending on or after July 15, 2006.
Interim Final Rule, <i>Executive Compensation Disclosure</i>	Effective December 29, 2006.
Final Rule, <i>Executive Compensation and Related Person Disclosure</i>	In Form 8-K, effective for triggering events that occur on or after November 7, 2006; in Forms 10-K and 10KSB, for fiscal years ending on or after December 15, 2006; and in registration and proxy/information statements filed after December 15, 2006.
Final Rule, <i>Fund of Funds Investments</i>	Effective July 31, 2006.
Amendments to Forms N-1A, N-2, N-3, N-4, and N-6	All new registration statements filed on the investment company forms and all post-effective amendments that are annual updates to effective registration statements on the investment company forms filed on or after January 2, 2007, must include the disclosure required by the form amendments.
Final Rule, <i>First-Time Application of International Financial Reporting Standards</i> (amendments to Form 20-F)	Rule will apply to foreign private issuers that adopt IFRS prior to or for the first financial year starting on or after January 1, 2007.

Final Rule, <i>Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports</i> (an extension of compliance date)	Effective for fiscal years ending on or after November 15, 2004, for certain "accelerated filers." Effective for fiscal years ending on or after July 15, 2007, for "nonaccelerated filers," including foreign private issuers that are not accelerated filers. Effective for fiscal years ending on or after July 15, 2006, for foreign private issuers that are accelerated filers and file annual reports on Form 20-F or Form 40-F.
SAB 108 (on the process of quantifying financial statement misstatements)	Effective for annual financial statements covering the first fiscal year ending after November 15, 2006.
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 after publication.
Final Rule, <i>Internet Availability of Proxy Materials</i>	Effective March 30, 2007. Issuers may not send a notice of availability of proxy materials over the Internet until July 30, 2007.
<b>Project in Request-for-Comment Stage</b>	
Proposed Rule, <i>Amendments to Financial Responsibility Rules for Broker-Dealers</i>	Comments due on or before May 18, 2007.
<b>PCAOB</b>	<b>Status</b>
<b>Significant Adoption Dates</b>	
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, 2006, for foreign private issuers that are accelerated filers and file annual reports on Form 20-F or Form 40-F. Effective for fiscal years ending on or after December 15, 2007, "nonaccelerated filers," including foreign private issuers that are not accelerated filers, are required to provide management's report on internal control over financial reporting. A nonaccelerated filer is required to file the auditor's attestation report on internal control over financial reporting when it files an annual report for its first fiscal year ending on or after December 15, 2008.
Rule 3524, <i>Audit Committee Pre-approval of Certain Tax Services</i>	Rule will not apply to any tax service preapproved on an engagement-by-engagement basis before June 18, 2006. With respect to tax services provided to audit clients whose audit committees preapprove tax services pursuant to policies and procedures, the rule will not apply to any such tax service that is begun by April 20, 2007.
Rule 3523, <i>Tax Services for Persons in Financial Reporting Oversight Roles</i>	Rule will not apply to tax services being provided during the professional engagement period pursuant to an engagement in process at April 19, 2006, provided that such services are completed on or before October 31, 2006. Rule will not apply to tax services being provided on or before July 31, 2007, provided that those services were performed during the audit period and completed prior to the beginning of the professional engagement period.
Rule 3522, <i>Tax Transactions</i>	Rule will not apply to tax services that are completed by a registered public accounting firm 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.
Release No. 2006-008, <i>Amendments to Board Rules Relating to Inspections</i>	Effective December 8, 2006.

<b>Projects in Exposure-Draft or Invitation-to-Comment Stage</b>	
Proposed Auditing Standard, <i>Evaluating Consistency of Financial Statements</i>	Comments due May 18, 2007.
Concept Release Concerning Scope of Rule 3523, <i>Tax Services for Persons in Financial Reporting Oversight Roles</i>	Comments due May 18, 2007.
<b>GASB/GAO</b>	<b>Status</b>
<b>Significant Adoption Dates</b>	
Statement No. 49, <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i>	Effective for financial statements for periods beginning after December 15, 2007.
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.
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"> <li>Phase 1 governments in periods beginning after December 15, 2006.</li> <li>Phase 2 governments in periods beginning after December 15, 2007.</li> <li>Phase 3 governments in periods beginning after December 15, 2008.</li> </ul>
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 multiple-employer plan.
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.
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.
<b>Project in Exposure-Draft or Invitation-to-Comment Stage</b>	
Exposure Draft, <i>Land and Other Real Estate Held as Investments by Endowments</i>	Comments are due by June 29, 2007.
<b>FASAB</b>	<b>Status</b>
<b>Significant Adoption Dates</b>	
Technical Bulletin 2006-1, <i>Recognition and Measurement of Asbestos-Related Cleanup Costs</i>	Effective for periods beginning after September 30, 2009.
Statement 31, <i>Accounting for Fiduciary Activities</i>	Effective for periods beginning after September 30, 2008.
Statement 30, <i>Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts</i>	Effective for periods beginning after September 30, 2006.
Statement 29, <i>Heritage Assets and Stewardship Land</i>	Effective for periods beginning after September 30, 2006.
Statement 26, <i>Presentation of Significant Assumptions for the Statement of Social Insurance: Amending SFFAS 25</i>	Effective for periods beginning after September 30, 2006.

Interpretation 7, <i>Items Held for Remanufacture</i>	Effective March 16, 2007.
<b>IASB/IFRIC</b>	<b>Status</b>
<b>Significant Adoption Dates</b>	
IFRS 8, <i>Operating Segments</i>	Effective for annual periods beginning on or after January 1, 2009.
IFRS 7, <i>Financial Instruments: Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
Amendment to IAS 23, <i>Borrowing Costs</i>	Effective for annual periods beginning on or after January 1, 2009.
Amendment to IAS 1, <i>Presentation of Financial Statements — Capital Disclosures</i>	Effective for annual periods beginning on or after January 1, 2007.
IFRIC Interpretation 12, <i>Service Concession Arrangements</i>	Effective for annual periods beginning on or after January 1, 2008.
IFRIC Interpretation 11, <i>Group and Treasury Share Transactions</i>	Effective for annual periods beginning on or after March 1, 2007.
IFRIC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	Effective for annual periods beginning on or after November 1, 2006.
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.
<b>Projects in Request-for-Comment Stage</b>	
IASB Discussion Paper, <i>Fair Value Measurements</i>	Comments due May 4, 2007.
IASB Exposure Draft, proposed amendments to IAS 24, <i>Related Party Disclosures</i>	Comments due May 25, 2007.
IASB Exposure Draft, proposed <i>IFRS for Small and Medium-sized Entities</i>	Comments due October 1, 2007.

## Appendix C: Abbreviations

<b>AcSEC</b>	Accounting Standards Executive Committee	<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>AICPA</b>	American Institute of Certified Public Accountants	<b>IFRS</b>	International Financial Reporting Standard
<b>APB</b>	Accounting Principles Board	<b>ITAC</b>	Investors Technical Advisory Committee
<b>ARB</b>	Accounting Research Bulletin	<b>ITC</b>	Invitation to Comment
<b>ASB</b>	Auditing Standards Board	<b>MD&amp;A</b>	Management's Discussion & Analysis
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission	<b>NAIC</b>	National Association of Insurance Commissioners
<b>DIG</b>	Derivatives Implementation Group	<b>NCGA</b>	National Council on Governmental Accounting
<b>DTC</b>	Draft Technical Correction	<b>PCAOB</b>	Public Company Accounting Oversight Board
<b>EITF</b>	Emerging Issues Task Force	<b>SAB</b>	Staff Accounting Bulletin
<b>FAS</b>	Financial Accounting Standard	<b>SAS</b>	Statement on Auditing Standards
<b>FASAB</b>	Federal Accounting Standards Advisory Board	<b>SEC</b>	Securities and Exchange Commission
<b>FASB</b>	Financial Accounting Standards Board	<b>SFFAC</b>	Statement of Federal Financial Accounting Concepts
<b>FIN</b>	FASB Interpretation	<b>SFFAS</b>	Statement of Federal Financial Accounting Standards
<b>FSP</b>	FASB Staff Position	<b>SOP</b>	Statement of Position
<b>GAAP</b>	Generally Accepted Accounting Principles	<b>SSAE</b>	Statement on Standards for Attestation Engagements
<b>GASB</b>	Governmental Accounting Standards Board	<b>SSARS</b>	Statement on Standards for Accounting and Review Services
<b>IAS</b>	International Accounting Standard	<b>TPA</b>	Technical Practice Aid
<b>IASB</b>	International Accounting Standards Board		
<b>IFAC</b>	International Federation of Accountants		

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

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

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