



# Accounting Roundup

4th Quarter in Review — 2004



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# Preface

## Accounting Roundup: 4th Quarter in Review — 2004

During the fourth quarter of 2004, accounting standard-setters and accounting regulators issued a number of final and proposed FASB Statements, FSPs,\* EITF consensuses, GASB Statements, AcSEC SOPs, SEC rules, PCAOB rules, IFRSs, etc. (collectively, pronouncements) affecting accounting, financial reporting, and corporate governance.

This publication, *Accounting Roundup: 4th Quarter in Review — 2004*, presents brief descriptions of those pronouncements, as well as certain other regulatory and professional developments in accounting and financial reporting. The articles included herein were primarily drawn from issues of the *Accounting Roundup* newsletters published in

the fourth quarter of 2004 and have been updated when appropriate. These articles also provide links to locations where additional information can be found on each topic.

Readers seeking additional information about these topics or other activities of key standard-setters and regulators should review the information available via the hyperlinks. Further information can be found on the Web site of the organizations discussed in this publication, including the FASB, GASB, SEC, PCAOB, AICPA, and IASB. Readers also should consult upcoming issues of *Accounting Roundup* for reports of new developments.

\*See Appendix B for a key to abbreviations used in this publication.

The purpose of this publication is to briefly describe key regulatory and professional developments that have recently occurred in the field of accounting and to provide links to locations where additional information can be found on each topic. Readers seeking additional information about a topic should review the information referred to in the hyperlinks and not rely solely on the descriptions included in this communication.

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# FASB Developments

## FASB Issues Final Statements

### FASB Statement No. 123 (Revised 2004), *Share-Based Payment*

In December 2004, the FASB issued Statement 123(R) that will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be remeasured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. Statement 123(R) replaces FASB Statement No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*.

#### Effective Date

- *Public entities* (other than small business issuers<sup>1</sup>) — effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005.
- *Public entities that file as small business issuers* — effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005.
- *Nonpublic entities* — effective as of the beginning of the first annual reporting period that begins after December 15, 2005.

#### Transition

- Applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date.
- The cumulative effect of initially applying this Statement, if any, is recognized as of the required effective date.
- Entities that used the fair-value-based method (this does not include nonpublic entities that used the minimum value method) for either recognition or disclosure under Statement 123 will apply this revised Statement using a modified version of prospective application. Under this transition method, for the portion of outstanding awards for which the requisite service has not yet been rendered, compensation cost is recognized on or after the required effective date based on the grant-date fair value of those awards calculated under Statement 123 for either

recognition or pro forma disclosures. For periods before the required effective date, those entities may elect to apply a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods by Statement 123.

- Nonpublic entities that used the minimum value method in Statement 123 for either recognition or pro forma disclosures are required to apply the prospective transition method as of the required effective date. Unless an award is modified, repurchased, or cancelled after the required effective date, those entities shall continue to account for any portion of awards outstanding at the date of initial application using the accounting principles originally applied to those awards (i.e., either the minimum value method under Statement 123 or the provisions of Opinion 25 and its related interpretive guidance).

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

### FASB Statement No. 153, *Exchanges of Nonmonetary Assets*, an amendment of APB Opinion No. 29

In December 2004, the FASB issued Statement 153. This statement was a result of a joint effort by the FASB and the IASB to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. One such difference was the exception from fair value measurement in APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, for nonmonetary exchanges of similar productive assets. Statement 153 replaces this exception with a general exception from fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange.

This Statement shall be applied prospectively and is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges occurring in fiscal periods beginning after the date of issuance of this Statement.

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

<sup>1</sup> See Statement 123(R) for definition of small business issuer.

## **FASB Statement No. 152, *Accounting for Real Estate Time-Sharing Transactions*, an amendment of FASB Statements No. 66 and 67**

In December 2004, the FASB issued Statement 152, which provides that real estate time-sharing transactions should be accounted for as nonretail land sales as discussed in the recently issued SOP 04-2, *Accounting for Real Estate Time-Sharing Transactions*. Statement 152 amends FASB Statement No. 66, *Accounting for Sales of Real Estate*, to reference SOP 04-2 and amends FASB Statement No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*, to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions.

This Statement is effective for fiscal years beginning after June 15, 2005. Restatement of previously issued financial statements is not permitted.

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

## **FASB Statement No. 151, *Inventory Costs*, an amendment of ARB No. 43, Chapter 4**

In November 2004, the FASB issued Statement 151 to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Statement 151 is the result of a broader effort by the FASB and the IASB to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. One such difference was the accounting for abnormal inventory costs. Both the FASB and the IASB agree that abnormal expenses should be recognized in the period in which they are incurred; however, the wording of IAS 2, *Inventories*, and ARB 43, Chapter 4, *Inventory Pricing*, led to inconsistent application of that principle. The FASB agreed that the wording in IAS 2 was less ambiguous and decided to incorporate portions of that language into ARB 43. As such, this Statement requires that those items be recognized as current-period charges regardless of whether they meet the "so abnormal" criterion outlined in ARB 43. Statement 151 also introduces the concept of "normal capacity" and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. Unallocated overheads must be recognized as an expense in the period in which they are incurred.

This Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for costs incurred during fiscal years beginning after the date of the issuance of this Statement.

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

## **FASB Issues Final FSPs**

### **FSP FAS 109-1, "Application of FASB Statement No. 109, *Accounting for Income Taxes*, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004"**

In December 2004, the FASB staff issued FSP FAS 109-1 to provide guidance on the application of Statement 109 to the provision within the American Jobs Creation Act of 2004 (the "Act") that provides tax relief to U.S. domestic manufacturers. The FSP states that the manufacturers' deduction provided for under the Act should be accounted for as a special deduction in accordance with Statement 109 and not as a tax rate reduction. A special deduction is accounted for by recording the benefit of the deduction in the year in which it can be taken in the company's tax return, and by not adjusting deferred tax assets and liabilities in the period of the Act's enactment (which would have been done if the deduction on qualified production activities were treated as a change in enacted tax rates).

The proposed FSP also reminds preparers that the special deduction should be considered by an enterprise in (a) measuring deferred taxes when the enterprise is subject to graduated tax rates and (b) assessing whether a valuation allowance is necessary as required by Statement 109.

The FSP is effective upon issuance. An enterprise that previously recognized the domestic manufacturing deduction as a tax rate reduction should restate its financial statements.

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

### **FSP FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision Within the American Jobs Creation Act of 2004"**

In December 2004, the FASB staff issued FSP FAS 109-2 to provide accounting and disclosure guidance for the repatriation provisions included in the Act. The Act introduced a special limited-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer. As a result, an issue has arisen as to whether an enterprise should be allowed additional time beyond the financial reporting period in which the Act was enacted to evaluate the effects of the Act on its plan for reinvestment or repatriation of foreign earnings for purposes of applying Statement 109.

The following summarizes the key points:

- An enterprise is allowed additional time beyond the financial reporting period of enactment to evaluate the effect of the Act without undermining the entity's assertion

that repatriation of foreign earnings is not expected within the foreseeable future.

- An enterprise should recognize the income tax effect when it decides on a plan for reinvestment or repatriation of foreign earnings. This decision may occur in stages, and each stage may occur at a different time. Also, before its plan for reinvestment or repatriation is finalized, an enterprise may decide on a range of amounts that it will repatriate. In this situation, the FSP requires recognition of the income tax effect of the lowest amount within the range.
- If an enterprise has recognized a deferred tax liability for some, or all, of its unremitted foreign earnings because it did not overcome the presumption of repatriation of foreign earnings, it should continue to presume repatriation of those earnings as well as current foreign earnings that are not expected to be indefinitely reinvested. The enterprise shall measure the income tax effects of such repatriation without the effects of the repatriation provision until it has decided on a plan for repatriation.
- An enterprise that has not yet completed its evaluation of the repatriation provision should make certain disclosures. Additional disclosures are required in the period an enterprise completes its evaluation.

The FSP is effective upon issuance and is available on the FASB's Web site.

## FASB Issues Proposed FSPs

### Proposed FSP SOP 78-9-a, "Interaction of AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*, and EITF Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights""

In December 2004, the FASB staff issued this proposed FSP to amend certain paragraphs of SOP 78-9. This FSP removes the term "important rights" from SOP 78-9 and replaces it with the concepts of "kick-out rights" and "substantive participating rights" as defined in Issue 04-5. These amendments would make the accounting for limited partnership investments by a sole general partner in the real estate industry consistent with the accounting for limited partnership investments in all other industries.

The guidance in this proposed FSP would be effective for general partners of all new partnerships formed, and for existing partnership agreements modified, after the issuance of a finalized FSP. For general partners in all other partnerships, the guidance would be effective no later than the beginning of

the first reporting period in fiscal years beginning after December 15, 2005. The effect of initially applying this guidance for existing partnership agreements may be accounted for under one of the following methods:

*Method A* — Accounted for similar to a change in accounting principle in accordance with APB Opinion No. 20, *Accounting Changes*. Financial statements for prior years should be presented as previously reported, and the cumulative effect, if any, shall be included in net income of the period of change. Other items that would have been accounted for differently in prior financial statements had this guidance been applied **should not be** adjusted.

*Method B* — Accounted for retroactively by restating prior period financial statements. Under this method, an entity must apply the guidance retroactively to all existing partnership agreements based on the facts and circumstances at the time each investment was made and must consider changes made in later periods. Other items that would have been accounted for differently in prior financial statements if this guidance had been applied **should be** adjusted in the financial statements. Retroactive application is not required for investments in partnerships for which the entity is no longer a general partner as of the date the guidance in this FSP is adopted.

The [proposed FSP](#) is available on the FASB's Web site. The comment period ends on February 19, 2005.

### Proposed FSP FIN 46(R)-b, "Implicit Variable Interests Resulting From Related Party Relationships Under FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*"

In December 2004, the FASB staff issued this proposed FSP to address whether a reporting enterprise has an implicit variable interest in a variable interest entity (VIE) when both of the following conditions exist:

- The reporting enterprise has an interest in, or other involvement with, a VIE, but the explicit terms of any interest held, or involvement by, the reporting enterprise in that VIE would not identify that interest or involvement as a variable interest in that entity, and
- A related party of the reporting enterprise has a variable interest or potential variable interest in the same VIE.

The proposed FSP states that the reporting enterprise **should consider** whether it has an implicit variable interest in the VIE when both of the conditions described above exist. This determination should be based on whether, in substance, the reporting enterprise, through its relationship with its related party, will absorb the variability of the VIE.

This proposed FSP would be effective in the first reporting period beginning after the issuance of the finalized FSP.

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Restatement to the date of initial application of Interpretation 46(R) is permitted, but not required, and early application is permitted. For entities that have not yet applied Interpretation 46(R), the FSP will be effective in accordance with the effective date and transition provisions of Interpretation 46(R).

The [proposed FSP](#) is available on the FASB's Web site. The comment period ends on January 20, 2005.

**Proposed FSP EITF 85-24-a, "Application of EITF Issue No. 85-24, "Distribution Fees by Distributors of Mutual Funds That Do Not Have a Front-End Sales Charge," When Cash for the Right to Future Distribution Fees for Shares Previously Sold Is Received From Third Parties"**

In December 2004, the FASB staff issued proposed FSP EITF 85-24-a in response to questions that have arisen around the appropriate accounting for cash received from a third party for a distributor's right to future cash flows relating to distribution fees for shares previously sold. The proposed FSP states that revenue recognition is appropriate at the time the cash is received from a third party for the Rights<sup>2</sup> when the distributor does not retain recourse or continuing involvement with the Rights. Any deferred costs relating to the shares sold to which the Rights pertain should be written-off to earnings concurrent with the recognition of revenue.

The guidance in this FSP would be effective as of the beginning of the period in which the final FSP is posted to the FASB Web site. The impact of applying the FSP's requirements to previously recognized transactions shall be recognized as a cumulative effect of a change in accounting principle pursuant to the guidance in FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*, and APB Opinion No. 20, *Accounting Changes*.

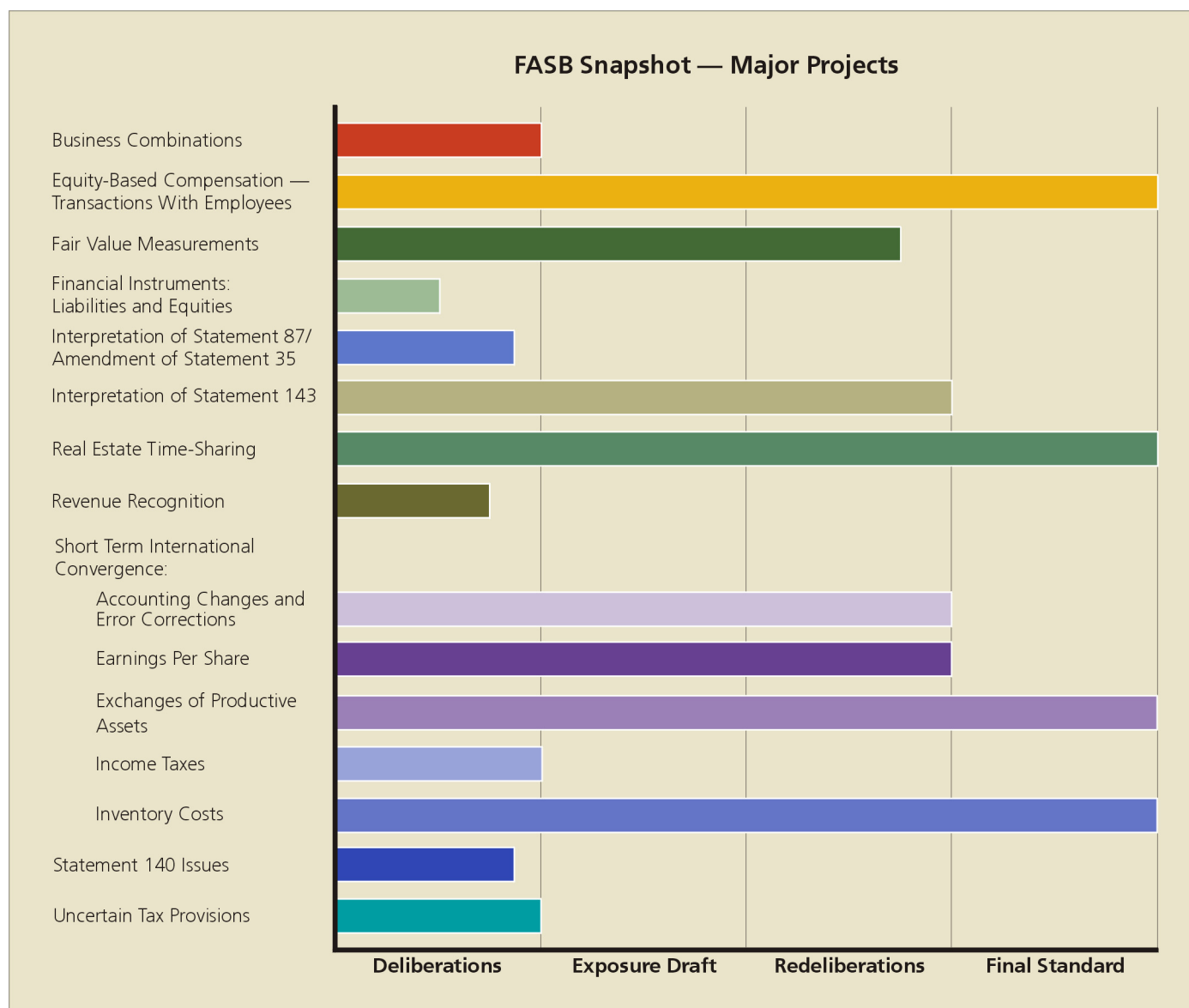
The [proposed FSP](#) is available on the FASB's Web site. The comment period ended on January 7, 2005.

## **FASB Major Projects**

The FASB currently has several ongoing projects in various stages of deliberation. The following graph illustrates the status of the FASB's major projects.

<sup>2</sup> This FSP refers to 12b-1 fees and contingent deferred sales charges for shares previously sold collectively as "Rights."





## FASB Project Summaries and Meeting Minutes

Project summaries maintained by the FASB staff, [handouts](#) distributed at each meeting, [FASB meeting minutes](#), and [summaries](#) of FASB meetings and recent actions are available on the FASB's Web site.

Further information about the FASB can be found on the FASB's Web site, [www.fasb.org](http://www.fasb.org).

*Conclusions of the FASB are subject to change at future Board meetings and generally do not affect current accounting requirements until an official position (Statement or Interpretation) is issued. Official positions of the FASB are determined only after extensive deliberation and due process, including a formal vote by written ballot to issue a Statement or Interpretation. The FASB Staff's guidance (FASB Staff Positions) is proposed after the Board's review, and after being exposed for public comment, becomes final if a majority of the Board does not object to its issuance.*

# Emerging Issues Task Force (EITF) Developments

## **EITF Posts for Comment Draft Abstract Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights"**

In December 2004, the FASB posted a draft abstract of Issue 04-5 for public comment. Issue 04-5 provides guidance in assessing when a sole general partner should consolidate its investment in a limited partnership. The request for comments on this issue is in conjunction with proposed FSP SOP 78-9-a discussed in the FASB Developments section above.

The [draft abstract](#) is available on the FASB's Web site. The comment period ends February 19, 2005.

## **EITF Activity in the Fourth Quarter of 2004**

EITF discussed the following topics at the November 17-18, 2004 EITF meeting:

### **EITF Issues on Which Consensuses (or Partial Consensuses) Were Reached**

- Issue No. 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, in Determining Whether to Report Discontinued Operations"

### **Other EITF Issues Discussed**

- Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights"
- Issue No. 04-6, "Accounting for Stripping Costs in the Mining Industry"
- Issue No. 04-7, "Determining Whether an Interest Is a Variable Interest in a Potential Variable Interest Entity"
- Issue No. 04-13, "Accounting for Purchases and Sales of Inventory With the Same Counterparty"

### **Issues Removed From the Agenda**

- Issue No. 04-11, "Accounting in a Business Combination for Deferred Postcontract Customer Support Revenue of a Software Vendor"

- Issue No. 04-12, "Determining Whether Equity-Based Compensation Awards Are Participating Securities"

### **Other Agenda Committee Items**

- *Added Item* — Issue No. 04-J, "The Accounting for the Conversion of an Instrument That Becomes Convertible Upon the Issuer's Exercise of a Call Option That Otherwise is Not Convertible or Not Currently Convertible Based on a Contingency"
- *Effective Date Change* — Issue No. 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings Per Share"
- *Effective Date Change* — Issue No. 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"
- *Continued Deferral* — Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"

The [minutes](#) for the EITF meetings are posted to the FASB's Web site.

Further information about the EITF can be found on the FASB's Web site, [www.fasb.org/eitf](http://www.fasb.org/eitf).

# GASB Developments

## **GASB Issues Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34**

In December 2004, the GASB issued Statement 46 to help governments determine when net assets have been restricted due to the passage of enabling legislation and to specify how those net assets should be reported in the financial statements when there are changes in the circumstances surrounding such legislation. Enabling legislation is a specific type of legislation that (1) authorizes the raising of new resources and (2) imposes legally enforceable limits on how they may be used. Statement 46 is intended to alleviate difficulties in identifying enabling legislation restrictions by clarifying that “legally enforceable” means an external party can compel a government to use resources only for the purposes stipulated by the enabling legislation. Entities must disclose in the notes to their financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period.

Statement 46 is effective for fiscal periods beginning after June 15, 2005.

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

## **GASB Issues Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit (OPEB) Expenditures/Expense and Liabilities by Cost-Sharing Employers***

In December 2004, the GASB issued a Technical Bulletin to clarify requirements on accounting for employers' contributions to cost-sharing pension and other postemployment benefit (OPEB) plans in GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Technical Bulletin indicates that, in governmental fund financial statements prepared on the modified accrual basis of accounting, a cost-sharing employer should recognize the contractually required contributions assessed for the employer's financial reporting period as expenditures of that period and should recognize any unpaid contributions assessed for that period as liabilities.

For pension transactions, the Technical Bulletin would be effective for financial statements for periods ending after December 15, 2004, and earlier application would be encouraged. For OPEB transactions, the provisions of the

Technical Bulletin would be applied simultaneously with the requirements of Statement 45.

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

## **GASB Issues Exposure Draft on *Accounting for Termination Benefits***

In December 2004, the GASB published an exposure draft, *Accounting for Termination Benefits*, which would establish accounting guidance for state and local governmental employers regarding benefits (e.g., early-retirement incentives and severance payments) that are provided to employees as the result of voluntary or involuntary terminations. The proposed Statement would require employers to recognize, in financial statements prepared on the accrual basis of accounting, (1) the cost of voluntary termination benefits when the offer is accepted and (2) the cost of involuntary termination benefits when a plan of termination has been approved and communicated to the employees. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits would be recognized to the extent the liabilities normally are expected to be liquidated with expendable available financial resources. In addition to these recognition requirements, the proposed Statement would establish measurement and disclosure requirements for termination benefits.

If enacted, the proposed Statement would become effective in two parts:

- For termination benefits provided through an existing defined benefit OPEB plan, the provisions of the proposed Statement would be required to be implemented simultaneously with the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- For all other termination benefits, the proposed Statement would be effective for periods beginning after June 15, 2005.

The [exposure draft](#) is available on the GASB's Web site. The comment period ends March 11, 2005.

Further information about the GASB can be found on the GASB's Web site, [www.gasb.org](http://www.gasb.org).

*Conclusions of the GASB are subject to change at future Board meetings and generally do not affect current accounting requirements until an official position (Statement or Interpretation) is issued. Official positions of the GASB are determined only after extensive deliberation and due process including a formal vote to issue a Statement or Interpretation.*

# AICPA Developments

## **AICPA Issues SOP 04-2, Accounting for Real Estate Time-Sharing Transactions**

In December 2004, the AcSEC of the AICPA issued SOP 04-2 to address inconsistent accounting in real estate time-sharing transactions in the following areas:

- Uncollectible amounts,
- Recovery or repossession of time-sharing intervals,
- Selling and marketing costs,
- Operations during holding periods,
- Developer subsidies to interval owners associations, and
- Upgrade and reload transactions.

This SOP is effective for fiscal years beginning after June 15, 2005, with earlier application encouraged.

A [related press release](#) is available on the AICPA's Web site.

## **AICPA Proposes SOP on Accounting by Insurance Enterprises for Deferred Acquisition Costs on Internal Replacements**

In November 2004, AcSEC issued an exposure draft of this SOP, which provides guidance on accounting by insurance enterprises for deferred acquisition costs on internal replacements other than those specifically described in FASB Statement No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses From the Sale of Investments*. The exposure draft includes guidance on the following:

- Accounting for contract modifications involving integrated and nonintegrated contract features.
- Determining substantial changes and accounting for contracts that are substantially changed and unchanged.
- Accounting for costs related to internal replacements that are substantially unchanged.
- Accounting for sales inducements to contract holders offered with internal replacements of long-duration contracts.

The final SOP would be effective for internal replacements occurring in fiscal years beginning after December 15, 2005, with earlier adoption encouraged. Restatement of previously issued annual financial statements is not permitted. Initial application of this SOP should be as of the beginning of an entity's fiscal year. If the SOP is adopted prior to the required date and during an interim period, all prior interim periods of the year of adoption should be restated.

The [exposure draft](#) is available on the AICPA's Web site. The comment period ended January 7, 2005.

[Summaries](#) of AcSEC's meetings are available on the AICPA's Web site.

Further information about the AICPA and AcSEC can be found on the AICPA's Web site, [www.aicpa.org](http://www.aicpa.org).

*Conclusions of the AcSEC are subject to change at future meetings and generally do not affect current accounting requirements until an official position (Statement of Position or Guide) is issued and cleared by the FASB. Official positions of the AcSEC are determined only after extensive deliberation and due process.*

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# SEC Developments

## **SEC Issues Final Rule and Request for Comment on *Asset-Backed Securities***

In December 2004, the SEC proposed new and amended rules and forms that will address the registration, disclosure, and reporting requirements for asset-backed securities under the Securities Act of 1933 and the Securities Exchange Act of 1934. The purpose of these revisions is as follows:

- Update and clarify the Securities Act registration requirements for asset-backed securities;
- Expand the types of asset-backed securities that may be offered in delayed primary offerings on Form S-3;
- Consolidate and codify interpretive positions that allow modified Exchange Act reporting tailored to asset-backed securities;
- Provide disclosure guidance and requirements specific to asset-backed securities; and
- Streamline and codify existing interpretive positions that permit the use of written communications in a registered offering of asset-backed securities in addition to the statutory registration statement prospectus.

The rule is effective for any registered offering of asset-backed securities with an initial bona fide offer after December 31, 2005. Additional compliance date guidance related to shelf registrations also is provided in the final rule.

The guidance also requests additional comments regarding the appropriate treatment of certain structured securities that do not meet the SEC's definition of an asset-backed security. The comment period ends March 8, 2005.

The [rule](#) is available on the SEC's Web site.

## **SEC Issues Current Accounting and Disclosure Issues**

In December 2004, the Division of Corporation Finance (DCF) of the SEC released its periodic update of its guidance on current accounting and disclosure issues. While the staff of the DCF cautions that the guidance in the outline does not necessarily reflect the views of the Commission, the Commissioners, or other members of the SEC staff, preparers of financial statements will find the outline a useful tool in determining the accounting and disclosure concerns of the SEC. The publication is broken into three broad areas:

- Recent rules, proposed rules, and interpretive bulletins;
- Other current accounting and disclosure issues; and

- Other information about the DCF, and other Commission offices and divisions.

The [publication](#) is available on the SEC's Web site.

## **SEC Postpones Filing Date for Internal Control Reports for Some Accelerated Filers**

In November 2004, the SEC issued an exemptive order to grant certain accelerated filers up to an additional 45 days to include, in their annual reports, management's report on internal control over financial reporting and the related auditor's report on management's assessment of internal control over financial reporting. All other information required in annual reports must be filed by the original due date.

The exemptive order applies to accelerated filers that have fiscal years ending on or between November 15, 2004 and February 28, 2005 and that had a public equity float of less than \$700 million at the end of its second fiscal quarter in 2004.

The [order](#) is available on the SEC's Web site.

## **SEC Issues Temporary Postponement of the Final Phase-In Period for Acceleration of Periodic Report Filing Dates**

In November 2004, the SEC adopted amendments to postpone, for one year, the final phase-in period for acceleration of the due dates of quarterly and annual reports required to be filed by accelerated filers. Under the amended rules, the deadline for an accelerated filer to file its annual report for its fiscal year ending on or after December 15, 2004 will remain at 75 days after fiscal year-end. Quarterly report deadlines for the subsequent year will remain at 40 days after quarter-end. The phase-in schedule will resume after the one-year delay, such that an accelerated filer will have to file its annual report within 60 days after its year ending on or after December 15, 2005. Subsequent quarterly reports will be required to be filed within 35 days of quarter-end.

The SEC also adopted conforming amendments to Regulation S-X to apply the postponed phase-in period to the financial information updating requirements in other Commission filings. The rule was effective as of December 23, 2004.

The [rule](#) is available on the SEC's Web site.

## **SEC Approves PCAOB's Proposed 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"**

In November 2004, the SEC approved the PCAOB's amendments to PCAOB's Interim Standards, which resulted from the adoption of Auditing Standard No. 2. The amendments change and add to the interim standards certain text, including references, to assist auditors in performing integrated audits of financial statements and internal control. The amendment also would apply to certain concepts developed in Auditing Standard No. 2 to assist an auditor engaged solely to audit the financial statements.

The amendments have multiple effective dates. Those that affect integrated audits for accelerated filers will be effective for fiscal years ending on or after November 15, 2004 (i.e., at the same time as Auditing Standard No. 2). The amendments that affect audits of financial statements only, and integrated audits of non-accelerated filers, will be effective for fiscal years ending on or after July 15, 2005.

The [order](#) is available on the SEC's Web site.

## **SEC Issues Frequently Asked Questions (FAQs) Relating to Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports**

In October 2004, the SEC issued FAQs to address questions received by the Commission regarding the implementation and interpretation of the SEC's rules on Management's Report on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Reports. These FAQs represent the views of the staff of the Office of the Chief Accountant and the staff of the Division of Corporation Finance, and are not rules, regulations, or statements of the SEC. Further, the Commission has neither approved nor disapproved the FAQs.

The [FAQs](#) are available on the SEC's Web site.

## **SEC Proposes Securities Offering Reform**

In October 2004, the SEC voted to propose modifications to the registration, communications, and offering processes under the Securities Act of 1933. The proposals would address communications related to registered securities offerings, delivery of information to investors, and registration and other procedures in the offering and capital formation process. Among other changes, the proposals would:

- Allow electronic delivery and Internet access to offering documents in lieu of physical prospectus delivery;
- Streamline the shelf registration process for "Well-Known Seasoned Issuers," a newly defined category of issuer;
- Encourage issuers to make more information available during the offering period; and
- Focus issuers and underwriters on potential liability if insufficient information is provided during the offering process.

The [related press release](#) is available on the SEC's Web site.

The comment periods ends January 31, 2005.

Further information about the SEC can be found on the SEC's Web site, [www.sec.gov](http://www.sec.gov).

# PCAOB Developments

## **PCAOB Proposes *Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees***

In December 2004, the PCAOB proposed, for public comment, certain ethics and independence rules. The proposed rules identify three circumstances in which the provision of tax services would impair an auditor's independence:

- Contingent fee arrangements;
- Services related to planning or opining on the tax consequences of a transaction that is a listed or confidential transaction under Treasury regulations, or based on an aggressive interpretation of applicable tax laws and regulations; and
- Services to officers in a financial reporting oversight role of an audit client.

The proposed rules would further implement the Act's pre-approval requirement by strengthening the auditor's responsibilities in connection with seeking audit committee pre-approval of tax services. The rules also would lay a foundation for the Board's independence rules. The principle of these rules is that persons associated with a registered public accounting firm should not cause the firm to violate relevant laws, rules, and professional standards due to an act or omission the person knew, or should have known, would contribute to such violation.

The [proposed rules](#) are available on the PCAOB's Web site. The comment period ends February 14, 2005.

## **PCAOB Issues Staff Questions and Answers Related to *Auditing Internal Control Over Financial Reporting***

In October and November 2004, the PCAOB published the second and third in a series of staff questions and answers to assist in the implementation of PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements*. The questions and answers set forth the PCAOB staff's opinions, but are not rules of the Board. They have also not been approved by the Board.

The [Questions and Answers](#) are available on the PCAOB's Web site.

Further information about the PCAOB can be found on the PCAOB's Web site, [www.pcaobus.org](http://www.pcaobus.org).



# International Developments

## IASB Issues Amendments to Standards

In December 2004, the IASB issued an amendment to IAS 39, *Financial Instruments: Recognition and Measurement*. The amendment allows entities to choose from one of the following transition methods for applying the “day 1” gain or loss recognition requirements in IAS 39:

- Retrospectively, as previously required by IAS 39;
- Prospectively to transactions entered into after October 25, 2002 (the effective date of similar requirements in U.S. GAAP); or
- Prospectively to transactions entered into after January 1, 2004 (the date of transition to IFRSs for many entities).

In December 2004, the IASB issued an amendment to IAS 19, *Employee Benefits*. The amendment allows entities the option of recognizing actuarial gains and losses in full in the period in which they occur, outside profit or loss, in a statement of recognized income and expense. Previously, IAS 19 had required actuarial gains and losses to be recognized either in the period they occur or spread over the service lives of the employees.

## IASB Issues IFRS 6, *Exploration for and Evaluation of Mineral Resources*

In December 2004, the IASB issued IFRS 6 to provide guidance on accounting for exploration and evaluation expenditures including the recognition of exploration and evaluation assets. It completes the first step in the IASB’s project to achieve the convergence of widely varying accounting practices for extractive activities.

IFRS 6 is effective for annual periods beginning on or after January 1, 2006; earlier application is encouraged. If an entity adopts IFRS 6 before January 1, 2006, transitional relief is available for some comparative disclosures.

## IFRIC Issues Four Interpretations

IFRIC Interpretation 2, *Members’ Shares in Co-operative Entities and Similar Instruments* — Provides guidance on how to evaluate redemption terms of a member’s shares in a cooperative entity in determining whether the financial instrument should be classified as a liability or equity.

IFRIC Interpretation 3, *Emission Rights* — Provides the accounting for companies participating in government programs aimed at reducing greenhouse gas emissions. It requires companies to account for the emission allowances

they receive from governments as intangible assets and to record them initially at fair value. It also requires companies, as they produce emissions, to recognize a liability for the obligation to deliver allowances to cover those emissions.

IFRIC Interpretation 4, *Determining Whether an Arrangement Contains a Lease* — Provides guidance on determining whether arrangements that do not take the legal form of a lease (e.g., some take-or-pay contracts) should, nonetheless, be accounted for in accordance with IAS 17, *Leases*. It specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset.

IFRIC Interpretation 5, *Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds* — Provides guidance on how to treat expected reimbursements from funds set up to meet the costs of decommissioning plant or equipment or undertaking environmental restoration and rehabilitation.

See [Appendix A](#) for the effective dates of all of the Interpretations listed above.

## IFRIC Issues Amendment to the Scope of SIC-12, *Consolidation — Special Purpose Entities*

In November 2004, the IFRIC issued an amendment to SIC-12 that removes the scope exclusion for equity compensation plans. Therefore, an entity that controls an employee benefit trust (or similar entity) set up for the purposes of a share-based payment arrangement will be required to consolidate that trust. The amendment also alters the scope exclusion for postemployment benefit plans to include other long-term employee benefit plans. This will ensure consistency with the requirements of IAS 19, *Employee Benefits*, which require long-term employee benefit plans to be accounted for in a manner similar to accounting for postemployment benefit plans.

## IFRIC Publishes Proposed Guidance on Contribution Changes to Employee Share Purchase Plans

In December 2004, the IFRIC released for public comment Interpretation D11, *Changes in Contributions to Employee Share Purchase Plans*. This Interpretation clarifies that if an employee ceases to contribute to an employee share purchase plan, the entity should account for this event as a cancellation. The IFRIC also has tentatively decided that if an entity changes

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from one employee share purchase plan to another, the event should be accounted for similar to a modification of the original grant of equity instruments.

The comment period ends March 1, 2005.

## **IFRIC Publishes Proposed Guidance on Waste Management Liabilities**

In November 2004, the IFRIC released, for public comment, a draft Interpretation, IFRIC Interpretation D10, *Liabilities Arising From Participating in a Specific Market — Waste Electrical and Electronic Equipment*. This draft Interpretation provides guidance for producers of electrical goods on the accounting for the costs of waste management relating to the decommissioning of waste electrical and electronic equipment supplied to private households. The IFRIC concluded that the event giving rise to the liability is the participation in the market in a measurement period (i.e., a period in which the market shares are determined for the purposes of allocating waste management costs) and not the production of the equipment.

The comment period ends February 11, 2005.

[Press releases](#) related to all of the international developments above are available on the IASB's Web site.

## **IASB Publishes Explanatory Article Concerning IFRS 3, *Business Combinations***

In October 2004, the IASB staff issued an article explaining certain issues related to the implementation of IFRS 3. In addition, the article addresses the status of the Exposure Draft, *Combinations by Contract Alone or Involving Mutual Entities*, and discusses comments by respondents to the exposure draft.

The [article](#) is available on IASB's Web site.

Further information about the IASB and IFRIC can be found on its Web site, [www.iasb.org](http://www.iasb.org), and on the IAS Plus Web site, [www.iasplus.com/index.htm](http://www.iasplus.com/index.htm).

*Conclusions of the IASB and IFRIC are subject to change at future Board meetings and generally do not affect current accounting requirements for entities that apply IASB standards until an official position (IFRS or Interpretation) is issued. Official positions of the IASB are determined only after extensive deliberation and due process, including a formal vote by written ballot to issue an IFRS or Interpretation.*

## Appendix A: Significant Upcoming Dates

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

FASB	Status
<b>Upcoming Adoption Dates</b>	
Statement 153, <i>Exchanges of Nonmonetary Assets</i> , an amendment of APB Opinion No. 29	Effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.
Statement 152, <i>Accounting for Real Estate Time-Sharing Transactions</i> , an amendment of FASB Statements No. 66 and 67	Effective for fiscal years beginning after June 15, 2005.
Statement 151, <i>Inventory Costs</i> , an amendment of ARB No. 43, Chapter 4	Effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Earlier application is permitted for inventory costs incurred during fiscal years beginning after November 23, 2004.
Statement 123(R), <i>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 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 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 46(R), <i>Consolidation of Variable Interest Entities</i>	<p><u>Public companies that are not small business issuers:</u></p> <ul style="list-style-type: none"> <li>– Provisions of Interpretation 46(R) currently are effective.</li> </ul> <p><u>Small Business Issuers:</u></p> <ul style="list-style-type: none"> <li>– For interests in SPEs, Interpretation 46 or Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2003.</li> <li>– For interests in all entities, Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2004.</li> </ul> <p><u>Nonpublic Entities:</u></p> <ul style="list-style-type: none"> <li>– Interpretation 46(R) must be applied by the beginning of the first annual period beginning after December 15, 2004.</li> </ul> <p>For guidance related to foreign private issuers, refer to the SEC's Letter to AICPA Regarding Interpretation 46(R) Effective Date Provisions With Regard to Foreign Private Issuers on the SEC's Web site.</p>
Statement 133 Implementation Issue No. E22, <i>Accounting for the Discontinuance of Hedging Relationships Arising From Changes in Consolidation Practices Related to Applying FASB Interpretation No. 46 or 46(R)</i>	Effective as of the date of initial application of Interpretation 46 and/or Interpretation 46(R).

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FSP FIN 46(R)-1, "Reporting Variable Interests in Specified Assets of Variable Interest Entities as Separate Variable Interest Entities Under Paragraph 13 of FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-2, "Calculation of Expected Losses Under FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-3, "Evaluating Whether as a Group the Holders of the Equity Investment at Risk Lack the Direct or Indirect Ability to Make Decisions About an Entity's Activities Through Voting Rights or Similar Rights Under FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FIN 46(R)-4, "Technical Correction of FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> , Relating to Its Effects on Question No. 12 of EITF Issue No. 96-21, "Implementation Issues in Accounting for Leasing Transactions Involving Special-Purpose Entities""	The guidance should be applied in accordance with the effective dates of Interpretation 46(R).
FSP FAS 97-1, "Situations in Which Paragraphs 17(b) and 20 of FASB Statement No. 97, <i>Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses From the Sale of Investments</i> , Permit or Require Accrual of an Unearned Revenue Liability"	Effective for financial statements for fiscal periods beginning after June 18, 2004.
FSP FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003"	Effective for the first interim or annual period beginning after June 15, 2004, except for certain nonpublic entities for which the effective date is for fiscal years beginning after December 15, 2004.
FSP FAS 109-1, "Application of FASB Statement No. 109, <i>Accounting for Income Taxes</i> , to the Tax Deduction on Qualified Production Provided by the American Jobs Creation Act of 2004"	Effective as of December 21, 2004.
FSP FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision Within the American Jobs Creation Act of 2004"	Effective as of December 21, 2004.
FSPs FAS 141-1 and FAS 142-1, "Interaction of FASB Statements No. 141, <i>Business Combinations</i> , and No. 142, <i>Goodwill and Other Intangible Assets</i> , and EITF Issue No. 04-2, "Whether Mineral Rights Are Tangible or Intangible Assets""	Effective for the first reporting period beginning after April 29, 2004.
FSP FAS 142-2, "Application of FASB Statement No. 142, <i>Goodwill and Other Intangible Assets</i> , to Oil- and Gas-Producing Entities"	Effective for reporting periods beginning after September 2, 2004.
FSP FAS 150-3, "Effective Date, Disclosures, and Transition for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests Under FASB Statement No. 150, <i>Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity</i> "	Certain mandatorily redeemable shares are subject to the provisions of Statement 150 for the first fiscal period beginning after December 15, 2004. Other mandatorily redeemable shares are deferred indefinitely, but may be subject to classification or disclosure provisions of the Statement.
FSP EITF Issue 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairments and Its Application of Certain Investments""	Effective as of September 30, 2004.

<b>Projects in Exposure Draft Stage</b>	
Proposed FSP SOP 78-9-a, "Interaction of AICPA Statement of Position 78-9, Accounting for Investments in Real Estate Ventures, and EITF Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights""	Comments due February 19, 2005.
Proposed FSP FIN 46(R)-b, "Implicit Variable Interests Resulting From Related Party Relationships Under FASB Interpretation No. 46 (revised December 2003), <i>Consolidation of Variable Interest Entities</i> "	Comments due January 20, 2005.
<b>EITF</b>	<b>Status</b>
<b>Upcoming Adoption Dates</b>	
Issue 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"	Effective at the same time as an expected FSP on similar economic characteristics (expected in first quarter 2005).
Issue 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share"	Effective for fiscal periods ending after December 15, 2004.
Issue 04-3, "Mining Assets: Impairment and Business Combinations"	Effective prospectively to business combination allocations and asset impairment tests completed after March 31, 2004.
Issue 04-2, "Whether Mineral Rights are Tangible or Intangible Assets"	Effective for fiscal periods beginning after April 29, 2004.
Issue 04-1, "Accounting for Preexisting Relationships Between the Parties to a Business Combination"	Effective for business combinations completed and goodwill impairment tests performed in reporting periods beginning after October 13, 2004.
Issue 03-16, "Accounting for Investments in Limited Liability Companies"	Effective for fiscal periods beginning after June 15, 2004.
Issue 03-13, "Applying the Conditions in Paragraph 42 of FASB Statement No. 144, <i>Accounting for the Impairment or Disposal of Long-Lived Assets</i> , in Determining Whether to Report Discontinued Operations"	Effective for components either disposed of or classified as held for sale in fiscal periods beginning after December 15, 2004.
Issue 03-6, "Participating Securities and the Two-Class Method Under FASB Statement No. 128, <i>Earnings per Share</i> "	Effective for fiscal periods beginning after March 31, 2004.
Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments"	Paragraphs 6-9 effective for reporting periods beginning after June 15, 2004. The recognition and measurement guidance in paragraphs 10-20 of Issue 03-1 has been delayed. This delay will be superseded with the final issuance of FSP EITF Issue 03-1-a, which will provide implementation guidance for these paragraphs. The disclosure requirements in paragraphs 21-22 of Issue 03-1 remain effective.
Issue 02-14, "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock"	Effective for the first reporting period beginning after September 15, 2004.
<b>Tentative Conclusion</b>	
Draft Abstract Issue 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights"	Comments due February 19, 2005.

<b>GASB</b>		<b>Status</b>
<b>Upcoming Adoption Dates</b>		
GASB Statement No. 46, <i>Net Assets Restricted by Enabling Legislation, an amendment of Statement No. 34</i>		Effective for fiscal periods beginning after June 15, 2005.
GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>		Effective in three phases based on a government's total annual revenues.
GASB Statement No. 44, <i>Economic Condition Reporting: The Statistical Section</i>		Effective for statistical sections prepared for periods beginning after June 15, 2005.
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 Statement No. 42, <i>Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries</i>		Effective for fiscal periods beginning after December 15, 2004.
GASB Statement No. 40, <i>Deposit and Investment Risk Disclosures — an Amendment of GASB Statement No. 3</i>		Effective for fiscal periods beginning after June 15, 2004.
GASB Technical Bulletin, <i>Recognition of Pension and Other Postemployment Benefit (OPEB) 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 OPEB transactions, the provisions would be applied simultaneously with the requirements of Statement No. 45.
<b>Projects in Exposure Draft Stage</b>		
Exposure Draft, <i>Accounting for Termination Benefits</i>		Comments due March 11, 2005.
<b>AICPA/AcSEC</b>		<b>Status</b>
<b>Upcoming Adoption Dates</b>		
SOP 04-2, <i>Accounting for Real Estate Time-Sharing Transactions</i>		Effective for fiscal years beginning after June 15, 2005, with early adoption encouraged.
SOP 03-3, <i>Accounting for Certain Loans or Debt Securities Acquired in a Transfer</i>		Effective for loans acquired in fiscal years beginning after December 15, 2004, with early adoption encouraged.
<b>Projects in Exposure Draft Stage</b>		
Proposed SOP, <i>Accounting by Insurance Enterprises for Deferred Acquisition Costs on Internal Replacements</i>		Comments due January 7, 2005.

SEC		Status
<b>Upcoming Adoption Dates</b>		
Final Rule, <i>Asset-Backed Securities</i>		Effective as of March 8, 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, 2005, for "nonaccelerated filers." Effective for fiscal years ending on or after July 15, 2005, for foreign private issuers that file annual reports on forms 20-F or 40-F. For accelerated filers with (i) public equity float of less than \$700 million at the end of its second fiscal quarter in 2004, and (ii) fiscal years ending between November 15, 2004 and February 28, 2005, the filing date of management's report on internal control over financial reporting has been postponed 45 days.
SAB 106 Regarding the Application of FASB Statement No. 143, <i>Accounting for Asset Retirement Obligations</i> , by Oil- and Gas-Producing Companies Following the Full Cost Accounting Method		Effective prospectively as of the beginning of the first fiscal quarter beginning after October 4, 2004.
Use of the Residual Method to Value Acquired Assets Other Than Goodwill (an SEC announcement at the September EITF meeting)		Effective for business combinations completed after September 29, 2004. Companies that have applied the residual method to the valuation of intangible assets for purposes of impairment testing will be required to perform an impairment test no later than the beginning of their first fiscal year beginning after December 15, 2004, using a direct method.
Temporary Postponement of the Final Phase-In Period for Acceleration of Periodic Report Filing Dates		Effective as of December 23, 2004.
<b>Proposed Rules</b>		
Asset-Backed Securities — Certain Structured Securities		Comments due March 8, 2005.
Securities Offering Reform		Comments due January 31, 2005.
PCAOB		Status
<b>Upcoming Adoption Dates</b>		
Auditing Standard No. 3, <i>Audit Documentation</i>		Effective for audits of financial statements with fiscal years ending on or after November 15, 2004.
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 audits of companies with fiscal years ending on or after November 15, 2004, for certain accelerated filers, or July 15, 2005, for other companies. For accelerated filers with (i) public equity float of less than \$700 million at the end of its second fiscal quarter in 2004, and (ii) fiscal years ending between November 15, 2004 and February 28, 2005, the filing date of management's report on internal control over financial reporting has been postponed 45 days.
Auditing Standard No. 1, <i>References in Auditors' Reports to the Standards of the Public Company Accounting Oversight Board</i>		Effective for financial reports issued or reissued on or after May 24, 2004.
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"		Effective for integrated audits of financial statements at the same time as Auditing Standard No. 2, November 15, 2004. Effective for audits of only financial statements for periods ending on or after July 15, 2005.



<b>Proposed Rules</b>	
Proposed Ethics and Independence Rules Concerning Independence, Tax Services, and Contingent Fees	Comments dues February 14, 2005.
<b>IASB/IFRIC</b>	<b>Status</b>
<b>Upcoming Adoption Dates</b>	
IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Effective for annual periods beginning on or after January 1, 2006.
IFRS 5, <i>Non-current Assets Held-for-Sale and Discontinued Operations</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRS 4, <i>Insurance Contracts</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRS 3, <i>Business Combinations</i>	Effective for business combinations for which the agreement date is on or after March 31, 2004.
IFRS 2, <i>Share-based Payment</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS 32, <i>Financial Instruments: Disclosure and Presentation</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendment to IAS No. 19, <i>Employee Benefits</i>	Effective for annual periods beginning on or after January 1, 2005.
Improvements to International Accounting Standards	Effective for annual periods beginning on or after January 1, 2005.
Amendment to SIC-12, <i>Consolidation — Special Purpose Entities</i>	Effective for annual periods beginning on or after January 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.
IFRIC Interpretation 3, <i>Emission Rights</i>	Effective for annual periods beginning on or after March 1, 2005.
IFRIC Interpretation 2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Effective for annual periods beginning on or after January 1, 2005.
IFRIC Interpretation 1, <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	Effective for annual periods beginning on or after September 1, 2004.
<b>Projects in Exposure Draft Stage</b>	
IFRIC Interpretation D11, <i>Changes in Contributions to Employee Share Purchase Plans</i>	Comments due March 1, 2005.
IFRIC Interpretation D10, <i>Liabilities Arising From Participating in a Specific Market — Waste Electrical and Electronic Equipment</i>	Comments due February 11, 2005.

## Appendix B: Abbreviations

<b>AcSEC</b>	Accounting Standards Executive Committee	<b>IFAC</b>	International Federation of Accountants
<b>AICPA</b>	American Institute of Certified Public Accountants	<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>APB</b>	Accounting Principles Board	<b>IFRS</b>	International Financial Reporting Standards
<b>ARB</b>	Accounting Research Bulletin	<b>MD&amp;A</b>	Management's Discussion & Analysis
<b>EITF</b>	Emerging Issues Task Force	<b>NCGA</b>	National Council on Governmental Accounting
<b>FASB</b>	Financial Accounting Standards Board	<b>PCAOB</b>	Public Company Accounting Oversight Board
<b>FIN</b>	FASB Interpretation	<b>SAB</b>	Staff Accounting Bulletin
<b>FSP</b>	FASB Staff Position	<b>SEC</b>	Securities and Exchange Commission
<b>GAAP</b>	Generally Accepted Accounting Principles	<b>SOP</b>	Statement of Position
<b>GASB</b>	Governmental Accounting Standards Board	<b>TPA</b>	Technical Practice Aid
<b>IAS</b>	International Accounting Standards		
<b>IASB</b>	International Accounting Standards Board		

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