

Accounting Roundup

Audit and Enterprise Risk Services

June 30, 2005

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FASB Developments

FASB Issues Statement 154 on Accounting Changes

On May 30, 2005, the FASB issued Statement 154,¹ which changes the requirements for the accounting and reporting of a change in accounting principle. Statement 154 applies to all voluntary changes in accounting principle as well as to changes required by an accounting pronouncement that does not include specific transition provisions.

- *Change in Accounting Principle* — Statement 154 eliminates the requirement in APB Opinion No. 20, *Accounting Changes*, to include the cumulative effect of changes in accounting principle in the income statement in the period of change. Instead, to enhance the comparability of prior period financial statements, Statement 154 requires that changes in accounting principle be **retrospectively applied**. Under retrospective application, the new accounting principle is applied as of the beginning of the first period presented as if that principle had always been used. The cumulative effect of the change is reflected in the carrying value of assets and liabilities as of the first period presented and the offsetting adjustments are recorded to opening retained earnings. Each period presented is adjusted to reflect the period-specific effects of applying the change. Although retrospective application is similar to restating prior periods, Statement 154 gives the treatment a new name to differentiate it from restatement for the correction of an error. Only direct effects of the change will be included in the retrospective application; all indirect effects will be recognized in the period of change. If it is impracticable to determine the cumulative effect for all prior periods, the new accounting principle should be applied as if it were adopted prospectively from the earliest date practicable.
- *Change in Reporting Entity* — Under Statement 154, a change in reporting entity is also retrospectively applied as of the beginning of the first period presented.
- *Change in Accounting Estimate* — A change in accounting estimate continues to be accounted for in the period of change, and future periods if necessary. A change in accounting estimate that is effected by a change in accounting principle (e.g., a change in method of depreciation) will be accounted for as a change in estimate.

¹ FASB Statement No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB Statement No. 3.

- *Correction of an Error* — A correction of an error continues to be reported by restating prior period financial statements as of the beginning of the first period presented.
- *Interim Financial Statements* — Statement 154 carries forward the provisions of FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements* — an amendment of APB Opinion No. 28, that govern reporting accounting changes in interim financial statements.
- *Scope* — Statement 154 applies to (a) financial statements of business enterprises and not-for-profit organizations and (b) historical summaries of information based on primary financial statements that include an accounting period in which an accounting change or error correction is reflected.
- *Effective Date and Transition* — Statement 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date the Statement was issued. The Statement does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of the Statement.

Statement 154 may be viewed in its entirety on the FASB's Web site.

FASB and IASB Issue Joint Exposure Drafts on Business Combinations and Noncontrolling Interests

The FASB and the IASB each published an Exposure Draft containing joint proposals to change the accounting for business combinations. The proposed standards would replace the existing requirements of the FASB's Statement No. 141, *Business Combinations*, and the IASB's IFRS 3, *Business Combinations*.

The proposals would result in fewer exceptions to the principle of measuring assets acquired and liabilities assumed in a business combination at **fair value**. Additionally, the proposals would result in payments to third parties for consulting, legal, audit, and similar services associated with an acquisition being recognized generally as expenses when incurred rather than capitalized as part of the business combination.

The FASB and the IASB also published Exposure Drafts that propose, among other changes, that noncontrolling interests be classified as equity within the consolidated financial statements. The FASB's proposed standard would replace

Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, and the IASB's proposals are presented as Amendments to IAS 27, *Consolidated and Separate Financial Statements*.

See Deloitte & Touche's [Heads Up](#) on the Exposure Drafts for further analysis. The Exposure Drafts are available on the FASB's Web site and the IASB's Web site. The comment period for the Exposure Drafts ends October 28, 2005.

Final FSPs

FASB Issues Final FSP FAS 150-5 on Warrants on Redeemable Shares

On June 29, 2005, the FASB issued final FSP No. FAS 150-5.² The FSP clarifies that freestanding warrants and other similar instruments on shares that are redeemable (either puttable or mandatorily redeemable) should be **accounted for as liabilities under FASB Statement No. 150³ regardless of the timing of the redemption feature or price**, even though the underlying shares may be classified as equity (or temporary equity under SEC Accounting Series Release No. 268, *Redeemable Preferred Stocks*). The FSP indicates that these instruments are liabilities (even if the obligation is conditional) because they embody obligations to repurchase the issuer's shares and may require a transfer of assets.

Unlike the proposed FSP, options or similar instruments originally issued as employee compensation, which are no longer dependent on employment, are not within the scope of the final FSP. The FASB made this scope change because they are working on a separate FSP under which these instruments would continue to be accounted for under Statement 123(R)⁴ (rather than other GAAP such as Statement 150).

This FSP is effective for the first reporting period beginning after June 30, 2005. If this FSP results in changes to previously reported information, the cumulative effect should be reported according to the transition provisions of Statement 150.

The FSP is available on the FASB's Web site.

FASB Issues Final FSP FAS 143-1 on Electronic Waste

On June 8, 2005, the FASB issued final FSP FAS 143-1⁵ to address the accounting for obligations associated with the European Union's Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the "Directive"). The Directive, enacted in 2003, requires EU-member countries to adopt legislation to regulate the collection, treatment, recovery, and environmentally sound disposal of electrical and electronic waste equipment. The Directive distinguishes between products put on the market after August 13, 2005 ("new" waste), and products put on the market before that date

2 FASB Staff Position No. 150-5, "Issuer's Accounting Under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable."

3 FASB Statement No. 150, *Accounting for Certain Financial Instruments With Characteristics of Both Liabilities and Equity*.

4 FASB Statement No. 123 (revised 2004), *Share-Based Payment*.

5 FASB Staff Position No. FAS 143-1, "Accounting for Electronic Equipment Waste Obligations."

("historical" waste). The final FSP only addresses the accounting for historical waste. The Directive also distinguishes between historical waste from commercial users and historical waste from private households.

The final FSP provides the following guidance:

- **Commercial Users** — Under the Directive, the waste management obligation remains with the commercial user until the historical waste equipment is replaced. The FSP indicates that the commercial user should **apply the provisions of FASB Statement No. 143, Accounting for Asset Retirement Obligations**, to the obligation associated with the historical waste. The waste management obligation for the equipment may then be transferred to the producer of the replacement equipment depending on the law adopted by each EU-member country. The producer of a replacement asset should recognize revenue for the total amount received, reduced by the fair value of the obligation received at the date of the transfer (that is, on a net basis).
- **Private Households** — The obligation associated with historical waste held by private households is to be borne collectively by producers selling in the market during each measurement period (which is to be determined by each EU-member community). An individual company's obligation will be based on and triggered by its market share during the period; therefore, the obligation should not be recognized prior to the beginning of that period. Instead, a liability should be recognized over the measurement period based on an entity's estimated market share. The liability should then be adjusted as actual information is received.
- **Effective Date and Transition** — This FSP will be applied the later of the first reporting period ending after June 8, 2005, or the date of the adoption of the law by the applicable EU-member country. Earlier application is encouraged under specific circumstances. The cumulative effect of initially applying this FSP will be recognized as a change in accounting principle in accordance with Opinion 20.⁶

The FSP is available on the FASB's Web site.

FASB Issues Final FSP EITF 00-19-1 on Financial Instruments Issued as Employee Compensation

The FASB staff issued final FSP EITF 00-19-1⁷ on May 31, 2005. Under EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," if an equity instrument contains a contractual requirement to deliver registered shares, the form

of settlement (i.e., shares or cash) is considered outside the control of the issuer (unless the shares are fully registered at the inception of the contract). Therefore, the equity instrument is classified as a liability. The FSP clarifies that, for freestanding financial instruments originally issued as employee compensation, **a requirement to deliver registered shares, in and of itself, will not result in liability classification**. This clarification is consistent with the Board's intent in Statement 123(R).

The guidance in this FSP, which is available on the FASB's Web site, will be applied in accordance with the effective date and transition provisions of Statement 123(R).

Proposed FSPs

FASB Issues Proposed FSP FIN 45-b on Minimum Revenue Guarantees

On June 8, 2005, the FASB issued proposed FSP FIN 45-b⁸ to its Web site. Under the proposed FSP, **guarantors must apply FASB Interpretation No. 45⁹ to minimum revenue guarantees**. In a minimum revenue guarantee, the guarantor makes payments to a business or its owners if the revenue of the business falls below a certain amount during a specified period of time.

The proposed FSP would be effective for new minimum revenue guarantees issued on or after the beginning of the first fiscal quarter following the date that the final FSP is posted to the FASB's Web site. Earlier application of the provisions of the FSP would be permitted. For any minimum revenue guarantees issued prior to the initial application of the FSP and not accounted for under Interpretation 45, retroactive application of the initial recognition and measurement provisions of Interpretation 45 is not permitted (i.e., guarantors do not change the prior accounting).

The **proposed FSP** is available on the FASB's Web site. The comment period ends August 8, 2005.

FASB Issues Proposed FSP TB 85-4-a on Life Settlement Contracts

On June 17, 2005, the FASB issued proposed FSP TB 85-4-a¹⁰ to provide initial and subsequent measurement guidance for investments in life settlement contracts. In life settlement transactions, a life settlement provider or a broker (collectively, the "provider") pays an amount in excess of the cash surrender value of a life insurance policy to the insured party. In exchange, the provider receives payment on the policy when

⁶ Statement 154 is effective for fiscal years beginning after December 15, 2005, and does not change the transition provisions of existing accounting pronouncements. Therefore, that Statement does not affect the transition requirements of this FSP.

⁷ FASB Staff Position No. EITF 00-19-1, "Application of EITF Issue No. 00-19 to Freestanding Financial Instruments Originally Issued as Employee Compensation."

⁸ Proposed FASB Staff Position No. FIN 45-b, "Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners."

⁹ FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*.

¹⁰ Proposed FASB Staff Position No. TB 85-4-a, "Accounting for Life Settlement Contracts by Investors."

the insured dies. The provider may also continue to make premium payments on the policy.

Some providers account for these transactions by analogy to FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*, and expense upon purchase the difference between the purchase price paid to the insured and the cash surrender value of the life settlement contract. The proposed FSP indicates that the application of Technical Bulletin 85-4 to life settlement contracts is inappropriate. Instead, providers should **capitalize the initial investment costs and continuing costs** (policy premiums and direct external costs) until the carrying amount of the life settlement contract equals the underlying life insurance policy's face value. After that point, all premiums and direct external costs are expensed. No income is recognized until the insured dies, at which time the difference between the carrying cost of a life settlement contract and the face value of its underlying life insurance policy should be recognized.

The proposed FSP requires disclosure of the total of the maximum life insurance premiums required to be paid for life settlements within one year of the most recent balance sheet date. In addition, the following disclosures should be made, grouped by remaining expected term, and in the aggregate, as of the most recent balance sheet date:

- The number of life settlement contracts in the grouping,
- The carrying value of the settlement contracts, and
- The face value (death benefits) of the life insurance policies underlying the contracts.

The guidance in the proposed FSP will be applied to fiscal years beginning after the date the FSP is finalized. Earlier application would be permitted. Upon adoption of the FSP, the measurement guidance should be retrospectively applied.

The [proposed FSP](#) is available on the FASB's Web site. The comment period ends August 1, 2005.

Recent FASB Meetings

The summary below highlights certain tentative decisions reached or topics discussed at recent FASB meetings. Final conclusions were not reached and further consideration is expected. Additional information is available in the FASB's weekly [Action Alert](#) newsletter, which is available on the FASB's Web site.

Dates in parentheses indicate FASB meetings at which respective issues were discussed.

Conceptual Framework (May 25)

The FASB continued deliberations on this joint IASB/FASB project and discussed issues relating to some of the qualitative characteristics of accounting information. The following conclusions were reached by the Board and, in general, are consistent with the present frameworks, except as noted:

- *Relevance* — Information must be capable of making a

difference in economic decisions by helping to evaluate the effect of events on future net cash inflows (predictive value) or confirm or correct previous evaluations (confirmatory value), even if it is not being used at the present time. Being "capable of making a difference," rather than now being used, is a change from the present IASB framework; "confirmatory" rather than "feedback" value is a change from the present FASB framework. Also, the information must be available when the users need it (timeliness).

- *Predictive Value* — Accounting information has predictive value if users use it, or could use it, to make predictions. Accounting information is not intended in itself as a prediction, nor to be synonymous with statistical predictability or persistence.
- *Faithful Representation* — Faithful representation of real-world economic phenomena includes capturing the substance of those phenomena. Faithful representation also includes the quality of *completeness*. Representations are faithful — there is agreement between the accounting measures or descriptions in financial reports and the economic phenomena they purport to represent — when the measures and descriptions are verifiable and neutral. Therefore, faithful representation requires completeness, not subordinating substance to form, verifiability, and neutrality. Consequently, the common framework should drop the widely misinterpreted term *reliability* from the qualitative characteristics, replacing it with *faithful representation*. That replacement is a change from the current IASB and FASB frameworks.
- *Neutral Information* — Financial information needs to be free from bias intended to influence a decision or outcome. The common conceptual framework should not include conservatism or prudence among the desirable qualitative characteristics of accounting information. However, the framework should note the continuing need to be careful in the face of uncertainty.
- *Verifiable Information* — Verifiable financial information provides assurance to users that the information faithfully represents what it purports to represent and that the information is complete, neutral, and free from material error.
- *Empirical Research* — Although empirical research may provide evidence useful in standard-setting decisions, the conceptual framework project should not seek to develop empirical measures of faithful representation or its component qualities.

Fair Value Measurements and Related Projects (June 1)

The Board continued redeliberations of the FASB Exposure Draft, *Fair Value Measurements*, focusing on issues relating to blocks and disclosures.

- *Block Discounts* — The Board reversed its previous decision, which allowed a broker-dealer to use a blockage factor to

estimate the fair value of a large position of an unrestricted security with a quoted price in an active market (block). Instead, the Board decided to preclude the use of a blockage factor in all cases. Accordingly, all entities must use a quoted price in an active market to estimate the fair value of an unrestricted security within Level 1 of the fair value hierarchy, even if an entity (including a broker-dealer or an investment company) holds a large position of the security. A final Statement will make a conforming change to the AICPA Audit and Accounting Guides for broker-dealers and investment companies.

- **Unrealized Gains or Losses** — The Board decided that disclosure of unrealized gains or losses relating to assets and liabilities still held at the reporting date should be limited to those assets and liabilities that are remeasured at fair value within the lowest level of the fair value hierarchy. The Board affirmed its earlier decision to also require disclosure of total gains or losses (unrealized and realized) for assets and liabilities held during the period (whether or not those assets and liabilities are still held at the reporting date) and to segregate those gains or losses included in earnings and in accumulated other comprehensive income.

The Board also discussed the following projects related to the Fair Value Measurements Exposure Draft:

- **Issuer Credit Standing and Fair Value Remeasurements** — The FASB discussed but did not reach a decision on whether to add a project to its agenda to amend FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, to allow for situations in which changes in an issuer's own creditworthiness might be excluded from subsequent remeasurements of derivative liabilities at fair value. The Board asked the FASB staff to further research related issues as a basis for considering those issues more broadly, in conjunction with its fair value option project.
- **Measuring Fair Value of Certain Derivative Contracts Under Statement 133** — The Board added a project to its agenda to issue an FSP relating to derivative contracts that are marked-to-market under Statement 133. The project will reconsider the guidance in EITF Issue No. 02-3, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities," in the context of the guidance developed to date in its fair value measurement project. The Board discussed but did not reach any decisions on the project issues. The Board plans to discuss the issues at a future meeting.

Fair Value Option (June 1)

The FASB was unable to reach an agreement on whether to curtail a debtor's recognizing in earnings the effect of changes in its credit worthiness in reporting liabilities at fair value when

the fair value option has been elected. The Board directed the FASB staff to perform further research on the subject and present that research at a later date.

Financial Guarantee Insurance (June 8)

The Board added a project to its agenda to consider the accounting by insurers for financial guarantee insurance. The scope of the project is limited to contracts issued by insurance companies that indemnify the holder against losses from payment default on a financial obligation that are not considered derivative contracts because they meet the exception in paragraph 10(d) of Statement 133. Thus, the project is confined to contracts currently within the scope of FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*. However, consideration of the accounting model will not be limited to the short- and long-duration models described in Statement 60. The project will not be limited to claims liability recognition — the Board will consider other aspects of the accounting model, including premium recognition and the related amortization of deferred policy acquisition costs.

Financial Instruments: Stable Value Investments (June 8)

The Board approved numerous changes to an FSP that the staff is in the process of drafting: proposed FASB Staff Position No. AAG INV-a, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA's Audit and Accounting Guide, *Audits of Investment Companies*." The following changes were approved:

- A change to the scope of the proposed FSP,
- A revised definition of *fully benefit-responsive*,
- The addition of balance sheet disclosure requirements,
- The addition of detailed disclosure supporting amounts presented on the balance sheet for the fair value of all investments,
- An explicit amendment to AICPA Statement of Position 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans*, with respect to the definition of fully benefit-responsive and the presentation and disclosure of fully benefit-responsive investment contracts, and
- An amendment of paragraph 10(h) of Statement 133, which effectively removes the scope exception provided for fully benefit-responsive investment contracts reported for at contract value in accordance with SOP 94-4.

The proposed FSP would be effective for financial statements for annual periods ending after December 15, 2005. Earlier application would be permitted. Retroactive application to prior period financial statements (if presented) would be required. The Board directed the FASB staff to proceed to a

draft of a proposed FSP and approved the posting of the proposed FSP to the FASB's Web site for a 45-day comment period.

Financial Performance Reporting by Business Enterprises (May 25)

The FASB decided not to amend FASB Statement No. 128, *Earnings per Share*, as a consequence of its decision to require presentation of a single statement of earnings and comprehensive income. The Board confirmed the following:

- *Basic and Diluted Earnings per Share* — Presentation of basic and diluted earnings per share on the face of the statement of earnings and comprehensive income will continue to be required (paragraph 36 of Statement 128).
- *Basic and Diluted Comprehensive Income per Share* — Disclosure of basic and diluted comprehensive income per share in notes to financial statements will continue to be permitted but not required (paragraph 37 of Statement 128).
- *Weighted Average Number Of Shares* — Disclosure of the weighted average number of shares used as the denominator in calculating per share metrics in the notes to financial statements will continue to be required (paragraph 40(a) of Statement 128).

Liability Extinguishment (June 8)

The Board discussed the legal rights and obligations associated with firm offers (that is, unilateral offers to sell goods that are enforceable and irrevocable) and whether, at a conceptual level, those rights and obligations meet the definitions of assets and liabilities set forth in FASB Concepts Statement No. 6, *Elements of Financial Statements*. The Board decided that a firm offer does not convey rights to the offerer that meet the definition of assets.

The Board further discussed, but did not decide, whether (1) a firm offer imposes on the offerer a stand-ready obligation to enter into a bilateral contract that meets the definition of a liability and (2) fair value is conceptually the most relevant measurement attribute for the stand-ready obligation to enter into a bilateral contract.

Other Comprehensive Income Upon the Loss of Significant Influence (June 1)

The Board made the following decisions related to issues raised in comment letters on proposed FASB Staff Position No. APB 18-a, "Accounting by an Investor for Its Proportionate Share of Other Comprehensive Income of an Investee Accounted for Under the Equity Method in Accordance With APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, Upon a Loss of Significant Influence":

- Agreed that the proposed FSP is not inconsistent with subparagraph 19(l) of Opinion 18.

- Agreed that the proposed FSP is not inconsistent with paragraph 376 of Statement 133.
- Agreed that the second and third sentences of paragraph 4 of the proposed FSP should be removed because they are inconsistent with subparagraph 19(m) of Opinion 18.
- Agreed that any amount of an investor's proportionate share of an investee's equity adjustments for other comprehensive income that remains after reducing the carrying amount of the investment to zero should be recorded in periodic income.

The Board directed the FASB staff to proceed to a draft of a final FSP for vote by written ballot.

Short-Term Convergence: Income Taxes (June 15)

In order to eliminate differences between the disclosure requirements in FASB Statement No. 109, *Accounting for Income Taxes*, and IAS 12, *Income Taxes*, the Board agreed to make the following amendments to Statement 109 in its Exposure Draft on Income Taxes:

- *Components of Income Tax Expense* — The FASB agreed that the example in paragraph 80(b) of IAS 12 regarding adjustments recognized in the period for current tax of prior periods should be added to paragraph 45 Statement 109.
- *Intercompany Asset Transfers* — The FASB agreed to expand upon Statement 109's disclosure requirements for the tax effects of intercompany asset transfers.
- *Disclosure of Dividends* — The FASB agreed to include the guidance in paragraphs 82A and 87A-C of IAS 12 regarding disclosure of potential income tax consequences of dividend payments. The FASB also agreed to amend Statement 109 to require the disclosure of the tax effects of dividends, if any, declared subsequent to the balance sheet date and voluntarily disclosed in the notes to the financial statements.

The Board rejected the FASB staff's proposal to require tabular disclosures of foreign remitted and unremitted earnings.

Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (June 15)

- The Board agreed to amend paragraphs 35 and 40(a) of FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, to allow qualifying special-purpose entities to hold passive derivative financial instruments that initially exceed the amount of all beneficial interests issued (including those that are subsequently purchased by a transferor, its affiliates, or its agents). This amendment will be made in the forthcoming Exposure Draft on accounting for hybrid financial instruments.
- The Board added a project to its agenda to clarify, through an FSP, that the accounting guidance provided in

paragraphs 40(b) and 40(c) of Statement 140 relative to the notional amount of passive derivative instruments held by qualifying special-purpose entities (QSPEs) is only required to be met upon initial establishment of the QSPE.

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.

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.

EITF Developments

Recent EITF Meeting

The EITF discussed the following topics at its meeting on June 15-16, 2005:

EITF Issues on Which Consensuses (or Tentative Conclusions) Were Reached

- Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights"
- Issue No. 04-13, "Accounting for Purchases and Sales of Inventory With the Same Counterparty"
- Issue No. 05-1, "The Accounting for the Conversion of an Instrument That Becomes Convertible Upon the Issuer's Exercise of a Call Option"
- Issue No. 05-2, "The Meaning of 'Conventional Convertible Debt Instrument' in EITF Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock'"
- Issue No. 05-5, "Accounting for the Altersteilzeit Early Retirement Programs and Similar Type Arrangements"
- Issue No. 05-6, "Determining the Amortization Period for Leasehold Improvements"

Sent to FASB Staff for Follow-up

- Issue No. 05-3, "Accounting for Rental Costs Incurred During the Construction Period"
- Issue No. 05-4, "The Effect of a Liquidated Damages Clause on a Freestanding Financial Instrument Subject to EITF Issue No. 00-19, 'Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock'"

Modifications of Final Consensuses

- Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)"
- Issue No. 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"
- Issue No. 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"

Further discussion on these items can be found in Deloitte and Touche's [EITF Roundup](#).

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/agenda.shtml.

AICPA Developments

AICPA Issues Exposure Draft on Eight Proposed Statements on Auditing Standards

On June 15, 2005, the Auditing Standards Board issued an Exposure Draft on the following eight proposed Statements on Auditing Standards:

- *Amendment to "Due Professional Care in the Performance of Work," of Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures,*
- *Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards,*
- *Audit Evidence,*
- *Audit Risk and Materiality in Conducting an Audit,*
- *Planning and Supervision,*
- *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement,*
- *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained, and*
- *Amendment to Statement on Auditing Standards No. 39, Audit Sampling.*

The ASB believes that the proposed SASs represent a

significant strengthening of auditing standards that will improve the quality and effectiveness of audits. The primary objective of the proposed SASs is to enhance auditors' application of the audit risk model in practice by requiring:

- More in-depth understanding of the entity and its environment, including its internal control, to identify the risks of material misstatement in the financial statements and what the entity is doing to mitigate them.
- More rigorous assessment of the risks of material misstatement of the financial statements based on that understanding.
- Improved linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks.

The [proposed SASs](#) would be effective for audits of financial statements for periods beginning on or after December 15, 2006. Earlier application is permitted.

The [Exposure Draft](#) is available on the AICPA's Web Site. The comment period ends August 15, 2005. Further information about the AICPA can be found on the AICPA's Web site, www.aicpa.org.

SEC Developments

SEC Issues Report to President and Congress on Arrangements With Off-Balance Sheet Implications, Special Purpose Entities, and Transparency of Filings by Issuers

Among the many provisions of the Sarbanes-Oxley Act, Section 401(c) mandated that the SEC conduct a study of filings by issuers and issue a report that addresses two primary questions:

1. The extent of off-balance sheet arrangements, including the use of special purpose entities ("SPEs") and
2. Whether current financial statements of issuers transparently reflect the economics of off-balance sheet arrangements.

On June 15, 2005, the SEC issued its report, which is based on a study of data collected from the filings of a sample of 200 issuers, including the 100 largest issuers and 100 additional randomly selected issuers. The report also includes an analysis of pertinent U.S. GAAP and Commission disclosure rules. The report describes the SEC staff's study, details its findings, and provides recommendations.

The report identifies the following **goals for those involved in the financial reporting community** to improve the transparency of financial reporting:

- Discourage transactions and transaction structures motivated primarily and largely by accounting and reporting considerations, rather than economics,
- Expand the use of objectives-oriented standards,

- Improve the consistency and relevance of disclosures, and
- Focus financial reporting on communication with investors, rather than just compliance with rules.

The report also makes the following **recommendations to standard setters** related to specific accounting and reporting requirements:

- Reconsider the accounting for leases, defined-benefit pension plans and other post-retirement benefit plans,
- Continue to explore the feasibility of reporting all financial instruments at fair value,
- Continue work on consolidation guidance for all entities — including SPEs, and
- Improve guidance on disclosures.

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

SEC Chairman William H. Donaldson Steps Down; Christopher Cox Nominated as Replacement

On June 1, 2005, SEC Chairman William H. Donaldson announced that he would step down effective June 30, 2005. President Bush has nominated U.S. Representative Christopher Cox as Donaldson's replacement. Cox's nomination must still be approved by the U.S. Senate. Cox currently chairs the House Committee on Homeland Security, and served on the House Commerce Committee when it was responsible for overseeing securities markets. He was one of the key architects of the Private Securities Litigation Reform Act of 1995, which was designed to limit frivolous private lawsuits, including class-action claims filed by disgruntled shareholders.

SEC Issues Final Regulation NMS on Requirements for U.S. Equity Exchanges

The SEC has issued Regulation NMS (national market system), a series of requirements designed to modernize and strengthen the regulatory structure of the U.S. equity markets. [Regulation NMS](#) is available on the SEC's Web site.

Further information about the SEC can be found on the SEC's Web site, www.sec.gov.

PCAOB Developments

PCAOB Issues Guidance for XBRL Attest Engagements

On May 25, 2005, the PCAOB released staff questions and answers related to attest engagements regarding XBRL (eXtensible Business Reporting Language) data furnished under the SEC's XBRL Voluntary Financial Reporting Program on the EDGAR System.

The questions and answers provide guidance for auditors

who are engaged to report on whether the XBRL data accurately reflects the corresponding information in the official EDGAR filings. The guidance addresses both performance and reporting matters relating to applying the Board's attestation standards to these engagements.

Although the voluntary program does not require companies to obtain auditor attestations to XBRL data, the questions and answers provide guidance to auditors engaged to perform such attestations at a company's election.

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

Standing Advisory Group Discusses Internal Control Audits

The PCAOB has formed a Standing Advisory Group (SAG) to advise the Board on the establishment of auditing and related professional practice standards. On June 8–9, 2005, the SAG, which consists of approximately 30 individuals representing auditors, public companies, investors, and others, met to discuss various topics related to 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*. Topics discussed included the following: first year experiences with audits of companies' internal control over financial reporting and how the Section 404 process can be improved, audit committee oversight, evaluation of material weaknesses, and multi-location issues.

A [detailed summary](#) of this meeting can be found on the Financial Executives International Web site.

Further information about the PCAOB can be found on the PCAOB's Web site, www.pcaob.org.

International Developments

IASB Amends IFRS 1 and IFRS 6

On June 30, 2005, the IASB amended IFRS 1, *First-time Adoption of International Financial Reporting Standards*, and the Basis for Conclusions within IFRS 6, *Exploration for and Evaluation of Mineral Resources*. The amendments clarify that an entity that both adopts IFRSs for the first time before January 1, 2006 and applies IFRS 6 before that date is exempt, in the first year of application, from IFRS 6's requirements relating to disclosures and recognition and measurement for the comparative period.

The [amendments](#) are available on the IASB's Web site.

IASB Amends IAS 39 on Financial Instruments

On June 16, 2005, the IASB amended the fair value option in IAS 39, *Financial Instruments: Recognition and Measurement*. The IASB developed this amendment after commentators, particularly prudential supervisors of banks, securities companies, and insurers, raised concerns that the fair value option might be used inappropriately. The option allowed entities to designate irrevocably on initial recognition any financial instruments as ones to be measured at fair value with gains and losses recognized in profit or loss. The purpose of the option was to simplify the application of the standard.

The amendment limits the use of the fair value option to those financial instruments that meet any of the following conditions:

- The use of the fair value option eliminates or significantly reduces an accounting mismatch;
- The instrument is part of a group of financial assets, financial liabilities, or both that are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy; and
- The instrument contains an embedded derivative that meets particular conditions.

Entities will apply the [amendments](#) for annual periods beginning on or after January 1, 2006. Early application is encouraged.

IASB Proposes Amendments to IAS 37

On June 30, 2005, the IASB proposed amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Among other changes, the amendments would:

- Require entities to recognize any obligation that satisfies the definition of a liability in the IASB's *Framework*, unless it cannot be measured reliably. Uncertainty about the amount or timing of the economic benefits required to settle a liability would be reflected in the measurement of the liability instead of affecting whether or not it is recognized,
- Align the accounting in IASs 37 and 19 for costs typically associated with restructuring an entity with the requirements of FASB Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, by permitting recognition of a liability for restructuring costs only when the definition of a liability has been met, and
- Change the title of IAS 37 to *Non-financial Liabilities*.

The [proposed amendments](#) are available on the IASB's Web site. The comment period ends October 28, 2005.

Recent IASB Meeting

The International Accounting Standards Board met in London on June 22–23, 2005. The following topics were discussed:

- Emission rights
- Convertible bonds issued in a foreign currency
- Conceptual Framework
- Performance Reporting
- Revenue recognition
- Short-term convergence: income taxes and segment reporting
- Management Commentary
- Proposed amendments to IFRS 6 and IFRS 1
- IAS 21 — Net investment in a foreign operation
- IASB technical corrections policy

Conclusions of the IASB 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.

Recent IFRIC Meeting

The International Financial Reporting Interpretations Committee discussed the following topics when it met in London on June 2-3, 2005:

- IAS 32, *Financial Instruments: Disclosure and Presentation* — Convertible Instruments Denominated in a Foreign Currency
- Emission rights — Consideration of an amendment to IAS 38, *Intangible Assets*
- IAS 19, *Employee Benefits*
 - Priorities
 - Asset Ceiling
 - Distinguishing defined benefit and defined contribution plans
- IFRIC Draft Interpretation D9, *Employee Benefit Plans With a Promised Return on Contributions or Notional Contributions* — Measurement Options
- IFRIC Draft Interpretation D11, *Changes in Contributions to Employee Share Purchase Plans* — Report on IASB decision

Summaries of the meetings are available on the IASB's Web site. The [observer notes](#) and [IASB staff presentations](#) made at the meetings are available on the IASB's Web site. [Summaries](#) of the IASB meeting decisions and discussions are also available on Deloitte's IAS Plus Web site. [Summaries](#) of the IFRIC meeting decisions and discussions are also available on the IASB Web site.

Further information about IASB and IFRIC can be found on the IASB's Web site, www.iasb.org, and on the IAS Plus Web site, www.iasplus.com/index.htm.

Appendix A: Significant Adoption Dates and Deadlines

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

FASB	Status
Upcoming Adoption Dates	
Statement 154, <i>Accounting Changes and Error Corrections</i> , a replacement of APB Opinion No. 20 and Statement No. 3	Effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after June 1, 2005.
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. [Note: See SEC Rule regarding the compliance date for Statement 123(R).]
Interpretation 47, <i>Accounting for Conditional Asset Retirement Obligations</i> , an interpretation of FASB Statement No. 143	Effective as of the end of fiscal years ending after December 15, 2005.
Interpretation 46(R), <i>Consolidation of Variable Interest Entities</i> , an interpretation of ARB No. 51	<p>Public companies that are not small business issuers:</p> <ul style="list-style-type: none"> – Provisions of Interpretation 46(R) currently are effective. <p>Small Business Issuers:</p> <ul style="list-style-type: none"> – For interests in SPEs, Interpretation 46 or Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2003. – For interests in all entities, Interpretation 46(R) must be applied no later than for financial statements ending after December 15, 2004. <p>Nonpublic Entities:</p> <ul style="list-style-type: none"> – Interpretation 46(R) must be applied by the beginning of the first annual period beginning after December 15, 2004. <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>
FSP FAS 150-5, "Issuer's Accounting Under FASB Statement No. 150 for Freestanding Warrants and Other Similar Instruments on Shares That Are Redeemable"	Effective for the first reporting period beginning after June 30, 2005.

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 FAS 143-1, "Accounting for Electronic Equipment Waste Obligations"	Effective the later of the first reporting period ending after June 8, 2005, or the date of the adoption of the Waste Electrical and Electronic Equipment Directive by the applicable EU-member country. Early application is encouraged in periods for which financial statements have not yet been issued if the Directive has been adopted in those periods by the applicable EU-member country.
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 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.
FSP FAS 109-1, "Application of FASB Statement No. 109, <i>Accounting for Income Taxes</i> , to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004"	Effective as of December 21, 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 19-1, "Accounting for Suspended Well Costs"	Effective for the first reporting period beginning after April 4, 2005.
FSP FIN 46(R)-5, "Implicit Variable Interests Under FASB Interpretation No. 46(R), <i>Consolidation of Variable Interest Entities</i> "	Effective in the first reporting period beginning after March 3, 2005, for entities that have adopted Interpretation 46(R). For all other entities, effective 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 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)-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)-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 EITF 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.
FSP EITF 00-19-1, "Application of EITF 00-19 to Freestanding Financial Instruments Originally Issued as Employee Compensation"	The guidance should be applied in accordance with the effective date of Statement 123(R).
FSP EITF 85-24-1, "Application of EITF Issue No. 85-24, '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"	Effective for reporting periods beginning after March 11, 2005.
Statement 133 Implementation Issue No. G1, <i>Cash Flow Hedges: Hedging an SAR Obligation</i>	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. E22, <i>Hedging — General: 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).
Statement 133 Implementation Issue No. E19, <i>Hedging — General: Methods of Assessing Hedge Effectiveness When Options Are Designated as the Hedging Instrument</i>	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Statement 133 Implementation Issue No. C3, <i>Scope Exceptions: Exception Related to Share-Based Payment Arrangements</i>	Revisions effective as of the beginning of the period in which the entity initially adopts Statement 123(R).
Projects in Exposure Draft Stage	
Proposed Standard, <i>Business Combinations</i> , a replacement of FASB Statement No. 141	Comments due October 28, 2005
Proposed Standard, <i>Consolidated Financial Statements Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries</i> , a replacement of ARB No. 51	Comments due October 28, 2005
Proposed FSP FIN 45-b, "Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners"	Comments due August 8, 2005.
Proposed FSP TB 85-4-a, "Accounting for Life Settlement Contracts by Investors"	Comments due August 1, 2005.
EITF	Status
Upcoming Adoption Dates	
Issue 04-10, "Determining Whether to Aggregate Operating Segments That Do Not Meet the Quantitative Thresholds"	Effective at the same time as the proposed FSP FAS 131-a becomes final.
Issue 04-8, "The Effect of Contingently Convertible Instruments on Diluted Earnings per Share"	Effective for fiscal periods ending after December 15, 2004.
Issue 04-6, "Accounting for Stripping Costs Incurred During Production in the Mining Industry"	Effective for fiscal years beginning after December 15, 2005.
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 03-13, "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 03-1, "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.
Topic D-108, "Use of the Residual Method to Value Acquired Assets Other Than Goodwill"	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.
GASB	Status
Upcoming Adoption Dates	
GASB Statement No. 46, <i>Net Assets Restricted by Enabling Legislation</i> , an amendment of Statement No. 34	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 Technical Bulletin No. 2004-2, <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 GASB Statement 45.
AICPA/AcSEC	Status
Upcoming Adoption Dates	
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.
Projects in Exposure Draft Stage	
Eight Proposed Statements on Auditing Standards Related to Risk Assessment	Comments due August 15, 2005.
SEC	Status
Upcoming Adoption Dates	
Final Rule, <i>Regulation NMS</i>	Effective 60 days after publication in the Federal Register.

Final Rule, <i>First-Time Application of International Financial Reporting Standards</i> (amendments to Form 20-F)	Rule will apply to foreign private issuers that adopt IFRS prior to or for the first financial year starting on or after January 1, 2007.
Final Rule, <i>Amendment to Rule 4-01(a) of Regulation S-X Regarding the Compliance Date for Statement of Financial Accounting Standards No. 123 (Revised 2004)</i> , Share-Based Payment	Effective for public entities (other than those filing as small business issuers) as of the first interim or annual reporting period of the registrant's first fiscal year that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply Statement 123(R) in the first interim or annual reporting period of the registrant's first fiscal year that begins after December 15, 2005.
Final Rule, <i>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, 2006, for "nonaccelerated filers." Effective for fiscal years ending on or after July 15, 2006, 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 107 Regarding the Interaction Between FASB Statement No. 123(R), <i>Share-Based Payment</i> , and Certain SEC Rules and Regulations	Effective upon the adoption of Statement 123(R).
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.
Temporary Postponement of the Final Phase-In Period for Acceleration of Periodic Report Filing Dates	Effective as of December 23, 2004.
PCAOB	Status
Upcoming Adoption Dates	
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, 2006, 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.
<i>Conforming Amendments to PCAOB Interim Standards Resulting From the Adoption of PCAOB Auditing Standard No. 2, "An Audit of Internal Control Over Financial Reporting Performed in Conjunction With an Audit of Financial Statements"</i>	Effective for integrated audits of financial statements at the same time as Auditing Standard No. 2. Effective for audits of only financial statements for periods ending on or after July 15, 2005.
IASB/IFRIC	Status
Upcoming Adoption Dates	
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 2, <i>Share-based Payment</i>	Effective for annual periods beginning on or after January 1, 2005.
Amendments to IFRS 1, <i>First-time Adoption of International Financial Reporting Standards</i> , and IFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Effective immediately
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — The Fair Value Option</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>	Effective for annual periods beginning on or after January 1, 2006.
Amendment to IAS 39, <i>Financial Instruments: Recognition and Measurement — Transition and Initial Recognition of Financial Assets and Financial Liabilities</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 19, <i>Employee Benefits</i>	Effective for annual periods beginning on or after January 1, 2006.
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.
Projects in Exposure Draft Stage	
Proposed Amendments to IAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i> , and IAS 19, <i>Employee Benefits</i>	Comments due October 28, 2005
Proposed Amendments to IAS 27, <i>Consolidated and Separate Financial Statements</i>	Comments due October 28, 2005
Proposed Amendments to IFRS 3, <i>Business Combinations</i>	Comments due October 28, 2005
IFRIC Draft Interpretation D17, <i>IFRS 2 — Group and Treasury Share Transactions</i>	Comments due July 18, 2005.
IFRIC Draft Interpretation D16, <i>Scope of IFRS 2</i>	Comments due July 18, 2005.

Appendix B: Abbreviations

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

Accounting Roundup is prepared by the National Office Accounting Standards and Communications Group of Deloitte & Touche LLP ("Deloitte & Touche"). 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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- July 12 at 2:00 pm EDT — “Quarterly Accounting Roundup: An Update of Important Developments.” [Register](#) for this webcast today.
- July 18 at 2:00 pm EDT — “FASB’s Proposals on Accounting for Business Combinations and Noncontrolling Interests.” [Register](#) for this webcast today.

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Updated every business day, DART has an intuitive design and navigation system that, together with its powerful search features, enables users to quickly locate information anytime, from any computer. Additionally, DART subscribers receive periodic e-mails highlighting recent additions to the DART library.

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