



New Developments Summary

Summary of professional developments

Fourth quarter 2009

Summary

The purpose of the NDS quarterly bulletin is to provide a reference guide of current developments that occurred during the past quarter. Current developments include activities by the standard setters and other governing bodies. This bulletin summarizes the significant provisions of those current developments and is not a substitute for reading and applying the specific guidance in the related pronouncements, when applicable.

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A. Financial Accounting Standards Board

Issued guidance

Consolidation – accounting for decreases in ownership (ASU 2010-02)

[Accounting Standards Update \(ASU\) 2010-02](#), *Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*, clarifies which transactions are subject to the decrease in ownership provisions in *FASB Accounting Standards Codification*[™] (ASC or Codification) 810-10, *Consolidation* (formerly FASB Statement 160, *Noncontrolling Interests in Consolidated Financial Statements*).

Under the amended guidance in ASU 2010-02, the decrease in ownership provisions in ASC 810-10, including the deconsolidation provisions, apply only to the following:

- A subsidiary or group of assets that constitutes a business or nonprofit activity
- A subsidiary or group of assets that is a business or nonprofit activity and is transferred to an equity method investee or joint venture
- An exchange of a group of assets that constitutes a business or nonprofit activity for a noncontrolling interest in an entity, including an equity method investee or joint venture

In addition, the decrease in ownership provisions do not apply if the transaction resulting in an entity's decreased ownership interest is either the sale of in substance real estate or the conveyance of oil and gas mineral rights.

Entities must evaluate the substance of a decrease in ownership transaction of a subsidiary that is not a business or nonprofit activity and determine whether there is applicable guidance outside ASC 810-10.

If other guidance does not exist, an entity must then apply the guidance in ASC 810-10 to account for the transaction.

Under the amended guidance in ASU 2010-02, an entity is also required to provide additional disclosures about the deconsolidation of a subsidiary:

For all but not-for-profit entities, the amendments to ASC 810-10 in ASU 2010-02 are effective in the period an entity adopts Statement 160, which is effective for fiscal years and interim periods within those fiscal years beginning on or after December 15, 2008. If an entity adopted Statement 160 before ASU 2010-02 was issued, the amended guidance is effective in the first interim and annual reporting period ending on or after December 15, 2009 and must be applied retrospectively to the first period in which Statement 160 was adopted. In addition, an entity is required to provide the disclosures in ASC 250, *Accounting Changes and Error Corrections*, 10-50-1 through 50-3, in the period of adoption.

For not-for-profit entities, the amended guidance is effective for the first set of initial or annual financial statements for a reporting period beginning on or after December 15, 2009.

Debt – own-share lending arrangements (ASU 2009-15, NDS 2009-29)

The FASB issued [ASU 2009-15](#), *Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing – a consensus of the FASB Emerging Issues Task Force*, to incorporate the guidance in EITF Issue 09-1 into the Codification. The new guidance, which addresses how an issuer accounts for an arrangement to lend its own shares in contemplation of a convertible debt issuance or other financing, stipulates that an issuer must

- Recognize the fair value of a share-lending arrangement as an issuance cost
- Exclude shares loaned under such an arrangement when calculating basic and diluted earnings per share, unless default of the arrangement occurs

[NDS 2009-29](#), "Highlights of EITF meeting on June 18, 2009: FASB ratifies consensus and posts Draft Abstracts on consensuses-for-exposure," should be referred to for a summary of the guidance on own-share lending arrangements.

Equity – accounting for distributions of stock and cash (ASU 2010-01)

[ASU 2010-01](#), *Accounting for Distributions to Shareholders with Components of Stock and Cash – a consensus of the FASB Emerging Issues Task Force*, clarifies the accounting treatment for a stock

portion of a shareholder distribution that (1) contains both cash and stock components, (2) allows shareholders to select their preferred form of the distribution, and (3) limits the total amount of cash to be distributed. Under the new guidance, which amends ASC 505, *Equity*, the stock portion of qualifying distributions must be treated as a stock issuance and be reflected prospectively in the calculation of earnings per share (EPS).

Additionally, the new guidance amends the definition of a stock dividend in the ASC Master Glossary to clarify that a stock dividend takes nothing from the property of an entity and adds nothing to the interests of an entity's shareholders because the proportional interest of each shareholder remains the same. ASU 2010-01 represents the EITF's consensus on EITF Issue 09-E, "Accounting for Distributions to Shareholders with Components of Stock and Cash."

The amendments to ASC 505 in ASU 2010-01 are effective for interim and annual periods ending on or after December 15, 2009 and require retrospective application.

Fair value measurements – alternative investments (ASU 2009-12, NDS 2009-33)

The FASB issued [ASU 2009-12](#), *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to amend the existing guidance in ASC 820, *Fair Value Measurements and Disclosures* (formerly FASB Statement 157, *Fair Value Measurements*). The ASU amends ASC 820 to create a practical expedient to measure the fair value of investments in certain entities that do not have a quoted market price but calculate net asset value per share or its equivalent. Those investments are sometimes referred to as "alternative investments" and include certain hedge funds, private equity funds, real estate funds, venture capital funds, common/collective funds, and offshore funds. The amendments in the ASU are effective for interim and annual periods ending after December 15, 2009, with earlier application permitted.

[NDS 2009-33](#), "FASB offers practical expedient for measuring fair value of alternative investments: Amended ASC 820 permits certain investments to be measured at net asset value," should be referred to for a summary of the guidance in ASU 2009-12.

Oil and gas entities – reserve estimation and disclosures (ASU 2010-03, NDS 2009-36)

[ASU 2010-03](#), *Oil and Gas Reserve Estimation and Disclosures*, aligns the guidance on estimating and disclosing oil and gas reserves in ASC 932, *Extractive Activities – Oil and Gas*, with the requirements under the SEC's [Final Rule](#), *Modernization of the Oil and Gas Reporting*, which was issued on December 31, 2008.

The amendments to ASC 932 in ASU 2010-03 are effective for annual reporting periods ending on or after December 31, 2009. Entities must adopt the amendments as a change in accounting principle inseparable from a change in estimate. Entities that became subject to the amended disclosure requirements in ASC 932 due to the change in the definition of significant oil- and gas-producing activities in the Codification are permitted to apply the disclosure requirements in annual periods beginning after December 31, 2009.

[NDS 2009-36](#), "The SEC's modernized oil and gas reporting rules: Registrants must comply with new rules in annual reports for fiscal years ending on or after December 31, 2009," should be referred to for further information on the SEC's Final Rule.

Revenue recognition – multiple-element arrangements (ASU 2009-13, ASU 2009-14, NDS 2009-35)

The FASB issued [ASU 2009-13](#), *Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force*, and [ASU 2009-14](#), *Certain Revenue Arrangements That Include Software*

Elements – a consensus of the FASB Emerging Issues Task Force, to amend the existing revenue recognition guidance. The ASUs codify consensus reached in September 2009 by the FASB Emerging Issues Task Force on EITF Issue 08-1, “Revenue Arrangements with Multiple Deliverables” and EITF Issue 09-3, “Certain Revenue Arrangements that Include Software Elements.”

ASU 2009-13 amends ASC 605, *Revenue Recognition*, 25, “Multiple-Element Arrangements” (formerly EITF Issue 00-21, “Revenue Arrangements with Multiple Deliverables”) as follows:

- Modifies criteria used to separate elements in a multiple-element arrangement
- Introduces the concept of “best estimate of selling price” for determining the selling price of a deliverable
- Establishes a hierarchy of evidence for determining the selling price of a deliverable
- Requires use of the relative selling price method and prohibits use of the residual method to allocate arrangement consideration among units of accounting
- Expands the disclosure requirements for all multiple-element arrangements within the scope of ASC 605-25

ASU 2009-14 amends the scope of ASC 985, *Software*, 605, “Revenue Recognition” (formerly AICPA Statement of Position 97-2, *Software Revenue Recognition*), to exclude certain tangible products and related deliverables from the scope of this guidance. Instead, the excluded products and related deliverables must be evaluated for separation, measurement, and allocation under the guidance of ASC 605-25, as amended by ASU 2009-13.

The amended guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. An entity may elect retrospective application to all revenue arrangements for all periods presented using the guidance in ASC 250, *Accounting Changes and Error Corrections* (formerly FASB Statement 154, *Accounting Changes and Error Corrections*). Entities must adopt the amendments resulting from both of these ASUs in the same period using the same transition method, where applicable.

[NDS 2009-35](#), “Modifications to accounting for multiple-element revenue arrangements: Separating elements becomes easier,” was issued during the quarter ended December 31, 2009 and should be referred to for a summary of the guidance in ASU 2009-13 and ASU 2009-14.

Transfers of financial assets (ASU 2009-16)

The FASB issued [ASU 2009-16](#), *Accounting for Transfers of Financial Assets*, to codify FASB Statement 166, *Accounting for Transfers of Financial Assets*. The amended guidance in ASU 2009-16 is effective as of the beginning of an entity’s annual reporting period beginning after November 15, 2009 and for interim periods within those fiscal years.

Please refer to [NDS 2009-23](#), “FASB amends guidance on transfers of financial assets: Statement 166 modifies derecognition guidance,” for further information on the amended transfers of financial assets guidance.

Variable interest entities (ASU 2009-17)

The FASB issued [ASU 2009-17](#), *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, to codify FASB Statement 167, *Amendments to FASB Interpretation No. 46(R)*. The amended guidance in ASU 2009-17 is effective as of the beginning of an entity’s annual reporting period beginning after November 15, 2009 and for interim periods within those fiscal years.

Please refer to [NDS 2009-24](#), “Consolidation of variable interest entities: FASB Statement 167,” for further information on the amended variable interest entity guidance.

Proposed guidance

Embedded credit derivatives – scope exception (Proposed ASU)

The Board issued a [proposed ASU](#), *Scope Exception Related to Embedded Credit Derivatives*, to revise the previously issued proposed guidance in FASB Statement 133 Implementation Issue C22, “Exception Related to Embedded Credit Derivatives.” The proposed guidance would impact entities that enter into contracts with an embedded credit derivative related to the transfer of credit risk that is not only in the form of subordination of one financial instrument to another.

The proposed ASU would amend ASC 815, *Derivatives and Hedging*, 15, “Embedded Derivatives,” 15-9 to clarify when bifurcation analysis of an embedded credit derivative is not required (referred to as a “scope exception”). The amended guidance would exclude from the requirement to perform a bifurcation analysis those embedded credit derivative features that consist only of the transfer of credit risk by the subordination of one financial instrument to another, such as the subordination of one beneficial interest (part of one tranche) to another tranche of a securitization.

The proposed ASU would also amend and add several examples to the current implementation guidance under ASC 815-15.

The guidance in the proposed ASU would be effective on the first day of an entity’s first fiscal quarter beginning after December 15, 2009. At the date of adoption, an entity would be required to assess each pre-existing contract that was acquired, issued, or subject to a remeasurement event occurring on or after the date the entity adopted the guidance in FASB Statement 155, *Accounting for Certain Hybrid Financial Instruments* to determine the following:

- Whether any contract contains an embedded credit derivative that no longer qualifies for the scope exception in ASC 815-15-15-9
- Whether any contract contains an embedded credit derivative that was previously bifurcated and separately accounted for that now qualifies for the scope exception under the amended guidance in ASC 815-15-15-9

Statement 155 was effective for all financial instruments acquired, issued, or subject to a remeasurement event after the beginning of an entity’s first fiscal year beginning after September 15, 2006. Accordingly, upon adoption of the guidance in the proposed ASU, an entity with a December 31 year-end would be required to assess contracts acquired, issued, or subject to a remeasurement event occurring on or after December 31, 2006.

The comment deadline on the proposed ASU was November 12, 2009.

Subsequent events – recognition and disclosure (Proposed ASU)

The FASB issued a [proposed ASU](#), *Amendments to Certain Recognition and Disclosure Requirements*, to address constituents’ concerns regarding both (1) the interaction of the guidance in ASC 855, *Subsequent Events*, with the SEC’s requirements on the identification and disclosure of subsequent events and (2) the breadth of the reissuance disclosure requirements in ASC 855-10-50-4.

The proposed amendments would include the following guidance:

- An entity that files or furnishes financial statements with the SEC

- Would be required to evaluate subsequent events through the date the financial statements are issued
- Would *not* be required to disclose the date through which subsequent events have been evaluated for either original or restated financial statements
- An entity that does not file or furnish financial statements with the SEC would be required to
 - Evaluate subsequent events through the date the financial statements are available to be issued, unless the entity has a current expectation of widely distributing its financial statements, in which case it would be required to evaluate subsequent events through the date the financial statements are issued
 - Disclose the date through which subsequent events have been evaluated in the original financial statements and whether that is the date the financial statements were either issued or available to be issued, consistent with the existing requirements of ASC 855
 - Disclose in restated financial statements the date through which subsequent events have been evaluated for both the original and restated financial statements. The proposed guidance clarifies that restated financial statements include financial statements that are revised as a result of correcting an error or retrospectively applying U.S. GAAP.

Also, the amendments would remove the current definition of a “public entity” in the glossary of ASC 855.

The proposed guidance would be effective upon issuance of a final ASU. The comment period ends January 28, 2010.

Variable interest entities – deferral of Statement 167 (Proposed ASU)

The FASB issued a [proposed ASU](#), *Amendments to Statement 167 for Certain Investment Funds*, to indefinitely defer the effective date for applying the guidance in ASC 810-10, *Consolidation*, “Variable Interest Entities” subsections as amended by the codification of FASB Statement 167, *Amendments to FASB Interpretation No. 46(R)* (the amended VIE guidance), for certain investment funds. The deferral would apply to a reporting entity’s (such as an investment management company’s) interest in an entity (such as a mutual fund) if all of the following conditions are met:

- The entity either has all of the attributes of an investment company specified in ASC 946, *Financial Services – Investment Companies*, or operates in an industry where industry practice is to issue financial statements using the measurement guidance in ASC 946.
- The entity is not a securitization entity, an asset-backed financing entity, or an entity previously considered a qualifying special-purpose entity.
- The reporting entity, taking into consideration any implicit or explicit guarantees, is not obligated to fund losses of the entity that could potentially be significant to the entity.

The proposed ASU would also defer the effective date of the amended VIE guidance for a reporting entity’s interest in a fund that must comply with, or operate under, requirements similar to those in SEC Rule 2a-7 of the 1940 Investment Company Act for registered money market funds.

If an entity qualifies for the deferral, it would continue to be subject either to (a) the overall guidance for variable interest entities in ASC 810-10, “Variable Interest Entities” subsections (formerly FASB Interpretation 46R, *Consolidation of Variable Interest Entities*), before the effective date of Statement 167, or to (b) other applicable consolidation guidance. Reporting entities, including nonpublic reporting entities,

would be required to provide the disclosures included as “Pending Content” under ASC 810-10-50-1 through 50-19 for all variable interests in variable interest entities, including those that qualify for deferral.

In addition, the proposed ASU would amend the guidance in paragraph B22 of Interpretation 46R (ASC 810-10-55-37), reflecting the changes in Statement 167. The proposed amendments would clarify the following:

- Guidance pertaining to related parties would apply when evaluating *all* the conditions in ASC 810-10-55-37.
- Condition (c) in ASC 810-10-55-37, as amended by Statement 167, which addresses the evaluation of any other interests in the entity held by a decision maker or service provider, would be modified to clarify that a quantitative approach is not required; however, if used, the quantitative approach would not be the sole determinant for evaluating whether the other variable interests are, individually or in the aggregate, more than insignificant.

The guidance in the proposed ASU would be effective as of the beginning of a reporting entity's first annual period beginning after November 15, 2009 and for interim periods within that first annual reporting period, which coincides with the effective date of the amended VIE guidance (Statement 167). Early application would not be permitted.

The comment period for the proposed ASU ended on January 6, 2010.

Other

Codification includes information about XBRL elements

The FASB [introduced](#) a new functionality to the Codification to help preparers of eXtensible Business Reporting Language (XBRL) financial statements identify XBRL elements applicable to those financial statements. Codification users will now be able to access XBRL elements under Section 75 within applicable Codification subtopics.

Consideration of investors' perspectives in standard-setting

The FASB added to its website a page entitled “[Obtaining the Investors' Perspectives](#),” which describes the importance of investors' perspectives in the standard-setting process and how the Board obtains and disseminates investors' views. Because the FASB's mission is to develop accounting standards that assist investors and others in making investment decisions, investors and other financial statement users are the Board's primary source for understanding what financial information is most useful.

Constituent views on financial instruments project

The FASB issued a “[Constituent Outreach Summary](#)” on its financial instruments project, summarizing input from investors, preparers, auditors, regulators, and valuation specialists through November 2009. Topics addressed in the summary include classification and measurement, fair value of loans and core deposits, credit impairment, and presentation.

Global convergence discussed with Accounting Standards Board of Japan

The FASB [met](#) with representatives of the Accounting Standards Board of Japan (ASBJ) in a continuing discussion about global convergence of accounting standards. Representatives from the ASBJ described its interim report, “Opinion on the Application of International Financial Reporting Standards in Japan,” issued in June 2009 by Japan's Business Accounting Council. Representatives from the FASB discussed its ongoing joint projects with the IASB. The two Boards also discussed their progress in specific areas,

including other comprehensive income and recycling, measurement of liabilities (including own credit risk), financial instruments, and leases.

Not-for-profit advisory committee

The Board [announced](#) the establishment of the Not-for-Profit Advisory Committee (NAC), which will function as a resource for the FASB in obtaining input from the not-for-profit sector regarding existing guidance and ongoing standard setting. The NAC will consist of 12 to 15 individuals from the not-for-profit sector, representing financial report users, preparers, practitioners, and individuals with backgrounds in academia and law. Members of the committee will represent both large and small not-for-profit organizations with varied interests, such as higher education, health care, and public charities. The NAC, which will be formed in early 2010, is expected to meet two or three times a year, with public access to meetings to the extent possible.

The FASB began accepting nominations for committee members in January.

Notice to Constituents updated

The Board issued version 4.0 of its Notice to Constituents, which provides detailed information on the Codification's content, style, and structure, as well as the project's background and ongoing standard-setting process. Significant changes to the Notice to Constituents include the following:

- A section to clarify that guidance not yet effective for all entities will be labeled as "Pending Content" in the Codification. The original guidance and the "Pending Content" label associated with the new guidance will not be removed until six months after the latest fiscal year-end that an "extreme entity" (an entity that adopts the original guidance at the latest possible date) could apply the original guidance.
- A description of Maintenance Updates, which make nonsubstantive corrections to the Codification, such as editorial changes, changes to links within the Codification, and changes to source references. Maintenance Updates are located under "Other Sources" on the FASB's Codification website.
- A new Appendix C, "Replacement of Standard Language," to identify instances where guidance that had been Level A GAAP before the Codification was replaced in the Codification by guidance that was previously in lower level GAAP. Appendix C includes a table of references to legacy guidance to identify such instances.

The Notice to Constituents is available on the FASB's [Codification website](#).

Panel on standards for private companies

The Financial Accounting Foundation (FAF) and the AICPA announced the [formation of a blue-ribbon panel](#) to address how U.S. accounting standards can best meet the needs of users of private company financial statements. The panel will examine the future of standard setting for private companies, including the question of whether separate accounting standards for private companies are needed. The panelists, which will be named in January 2010, will include representatives from lenders, investors, owners, preparers, auditors, and regulators.

Periodic user updates

The FASB began issuing an online newsletter, "[FASB Update: Financial Statement User Edition](#)," with a dual purpose: to help users stay current on the status of the Board's projects and to encourage more investors and other constituents to express their opinions on potential standards. The Updates are available on the FASB website.

Update on timing for joint projects

The FASB and the IASB issued a [joint statement](#) of their plans for completing the major projects described in their Memorandum of Understanding (MoU), which was last updated in 2008. Appendix A to the Boards' statement provides details on the timelines and strategies for completing the projects.

The Boards intend to complete many of their projects by 2011.

The statement also describes the Boards' intention to achieve the convergence of U.S. GAAP and IFRS by intensifying their ongoing efforts, including holding monthly meetings and providing quarterly updates on their progress for constituents.

Comment letters issued

The firm issued [comment letters](#) to the FASB on the following proposed ASUs:

- *Improving Disclosures about Fair Value Measurements*
 - *Oil and Gas Reserve Estimation and Disclosures*
 - *Research and Development Assets Acquired and Contingent Consideration Issued in an Asset Acquisition -- a consensus of the FASB Emerging Issues Task Force*
 - *Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash – a consensus of the FASB Emerging Issues Task Force*
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B. FASB Emerging Issues Task Force

EITF meeting on November 19, 2009

At its meeting on November 19, 2009, the EITF reached one final consensus and four consensuses-for-exposure. In addition, the Task Force was unable to reach a consensus on EITF Issue 09-2, "Research and Development Assets Acquired and Contingent Consideration Issued in an Asset Acquisition," and decided not to proceed further with this Issue.

The FASB ratified both the EITF consensus and the consensuses-for-exposure at its meeting on December 2, 2009. An ASU and proposed ASUs were subsequently issued by the FASB and are discussed below.

The [minutes](#) of the November EITF meeting, which include the consensus and consensuses-for-exposure, are available on the FASB website.

Consensus

Accounting for distributions to shareholders with components of stock and cash (ASU 2010-01)

[ASU 2010-01](#), *Accounting for Distributions to Shareholders with Components of Stock and Cash – a consensus of the FASB Emerging Issues Task Force*, was issued by the FASB to amend ASC 505, *Equity*, for the final consensus on EITF Issue 09-E (amended guidance in ASC 505). The amended guidance in ASC 505 addresses whether the stock portion of a shareholder distribution that (1) contains both cash and stock components, (2) allows shareholders to select their preferred form of the distribution, and (3) limits the total amount of cash to be distributed, should be treated as a stock dividend or a stock issuance in the calculation of earnings per share (EPS).

An accounting issue arises in connection with the requirement under tax regulations for real estate investment trusts (REITs) and closed-end investment funds to distribute 90 percent of taxable income. In

response to the current economic environment, the IRS issued rulings in 2008 and 2009 that allow these entities to make their required distributions in the form of cash and stock as opposed to cash only. However, to qualify as dividends for IRS purposes, the distribution must satisfy several criteria, including the requirement that shareholders be offered the option to receive their distributions in cash or in stock of equivalent value, with a potential limitation on the total amount of cash that will be distributed. Although primarily applicable to real estate entities, the amended guidance in ASC 505 also affects other entities that offer shareholders the choice of receiving dividends in cash or in stock, with a limit on the total amount of cash to be distributed.

After discussing the comments received on its consensus-for-exposure, which was issued as a proposed ASU, *Accounting for Stock Dividends, Including Distributions to Shareholders with Components of Stock and Cash*, the Task Force reached a final consensus that differs from the consensus-for-exposure. The EITF decided that the stock portion of a shareholder distribution within the scope of the amended guidance in ASC 505 should be accounted for as a stock issuance rather than as a stock dividend. The amended guidance in ASC 505 also provides that an entity must recognize such a distribution as a liability from the date the entity becomes obligated for the distribution. Until settled, the stock portion of the distribution would be accounted for using the guidance for contingently issuable shares in ASC 260, *Earnings per Share*.

The amended guidance in ASC 505 is effective for interim and annual periods ending on or after December 15, 2009 and must be applied on a retrospective basis.

Consensuses-for-exposure

“Consensus-for-exposure” is a term that indicates the EITF has reached a tentative conclusion on an Issue and approved a draft abstract for comment, subject to ratification by the FASB. Once ratified, consensuses-for-exposure are issued as proposed ASUs for public comment. The EITF considers comments received on a proposed ASU before reaching a final consensus on an EITF Issue, which must be ratified by the FASB before becoming effective. The Codification is updated by the issuance of a final ASU for a ratified EITF consensus.

Clarification of the definition of deferred acquisition costs of insurance entities (Proposed ASU)

[A proposed ASU](#), *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts – a consensus of the FASB Emerging Issues Task Force*, was issued by the FASB and would amend the Codification to reflect the consensus-for-exposure on EITF Issue 09-G. The proposed guidance would redefine acquisition costs. Insurance entities capitalize and subsequently amortize such costs, which are referred to as “deferred acquisition costs.” The proposed guidance is intended to address the diversity in practice relating to the interpretation of what qualifies as a deferred acquisition cost.

ASC 944, *Financial Services – Insurance*, currently defines “acquisition costs” as costs incurred in the acquisition of new and renewal insurance contracts, which include costs that vary with and are primarily related to acquiring insurance contracts. Under the guidance in the proposed ASU, “acquisition costs” would be defined as costs that are *directly related* to the acquisition of new and renewed insurance contracts. As a result, an entity would capitalize the following acquisition costs:

- Incremental direct costs of contract acquisition, which are costs resulting directly from acquiring a contract that would not have been incurred if the contract had not been acquired
- Certain employee costs related directly to time spent on the following acquisition activities for an acquired contract:
 - Underwriting

- Policy issuance and processing
- Medical and inspection
- Contract selling

Other acquisition and overhead costs would be expensed as incurred. Advertising costs would not qualify as deferred acquisition costs.

The guidance in the proposed ASU would be applied prospectively for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2010. Retrospective application and early adoption would be permitted.

The comment period for this proposed ASU ends on February 12, 2010.

Effect of a loan modification when the loan is part of a pool that is accounted for as a single asset (Proposed ASU)

[A proposed ASU](#), *Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset – a consensus of the FASB Emerging Issues Task Force*, was issued by the FASB and would amend the Codification to reflect the consensus-for-exposure on EITF Issue 09-I. The EITF concluded that a creditor should not apply the guidance in ASC 310, *Receivables*, 40, “Troubled Debt Restructurings by Creditors,” 15-4 through 15-12 (formerly FASB Statement 15, *Accounting by Debtors and Creditors for Troubled Debt Restructurings*), to acquired loans that have evidence of credit deterioration since origination and are accounted for as a pooled asset. However, the guidance in ASC 310-40-15-4 through 15-12 would continue to apply to acquired loans that have evidence of credit deterioration if the creditor accounts for the loans individually.

ASC 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality” (formerly AICPA Statement of Position 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*), provides recognition, measurement, and disclosure guidance for creditors on acquired loans that have evidence of credit deterioration since origination for which it is probable, at acquisition, that the investor will be unable to collect all contractual payments. Once a creditor determines that an individual acquired loan is within the scope of ASC 310-30, the creditor is permitted, but not required, to aggregate loans acquired in the same fiscal quarter that have common risk characteristics and use a composite interest rate based on cash flows expected to be collected for the pool.

The EITF discussed whether to provide enhanced disclosures related to acquired loans that have evidence of credit deterioration and are accounted for as a pooled asset; however, it was decided that any changes to the disclosure requirements in ASC 310-30 should be part of the FASB’s project, *Disclosures about Credit Quality and the Allowance for Credit Losses*.

The guidance in the proposed ASU would be effective for modifications of loans accounted for within pools under ASC 310-30 beginning in the first interim or annual period after the amendments to the Codification take effect. The guidance would be applied prospectively, and early application would be permitted.

The comment period for this proposed ASU ends on February 12, 2010.

Casino base jackpot liabilities (Proposed ASU)

ASC 924, *Entertainment—Casinos*, 605, “Revenue Recognition,” 25, provides guidance on revenue recognition for casinos, including the accounting for jackpot liabilities. In general, jackpots, such as those associated with a slot machine, may consist of either only predetermined fixed (base) payouts depicted in a payment table, or both a base jackpot amount and an incremental amount that increases as customers

play a machine. For example, when a casino first places a slot machine on the casino floor, it may be assigned an initial base jackpot amount, which then increases as the machine is played until the jackpot is won. Most gaming jurisdictions require that the *incremental amount* be paid out, regardless of whether the jackpot is won by playing the slot machine. For example, if a casino decides to remove the slot machine from the casino floor, the incremental amount must still be distributed. In such cases, the incremental amount is accrued as a liability. However, most gaming jurisdictions do not require that the *base jackpot* be distributed in those circumstances. As a result, diversity in practice has developed about whether an entity should accrue the base jackpot amount before the jackpot is won.

[A proposed ASU](#), *Casino Base Jackpot Liabilities – a consensus of the FASB Emerging Issues Task Force*, was issued by the FASB and would amend the Codification to reflect the consensus-for-exposure on EITF Issue 09-F. The proposed guidance would clarify that an entity would not accrue base jackpots if it can avoid payment. The Task Force reasoned that if payment of the base jackpot can be avoided, it does not represent a liability until such jackpot is won.

The guidance in the proposed ASU would be effective for fiscal years, and for interim periods within those fiscal years, beginning on or after December 15, 2010. The guidance would be applied prospectively, with a cumulative catch-up adjustment, if any, in retained earnings as of the beginning of the fiscal year in which the amended guidance is initially applied.

The comment period for this proposed ASU ends on February 12, 2010.

[Effect of denominating the exercise price of a share-based payment award in the currency of the market in which the underlying equity security trades \(Proposed ASU\)](#)

Public entities often grant employee stock options with exercise prices denominated in the currency in which the entity's underlying equity securities trade. Such currency may differ from the entity's functional currency and from the payroll currency of the employee receiving the option. [A proposed ASU](#), *Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades*, was issued by the FASB and would amend the Codification to reflect the consensus-for-exposure on EITF Issue 09-J. The guidance in the proposed ASU would address whether such employee stock options should be classified as liabilities or as equity instruments.

The proposed guidance would require equity treatment for share-based payment awards that have an exercise price denominated in the currency of the market in which a substantial portion of the company's equity shares trade, assuming all other criteria for equity classification are met.

The proposed guidance would not require any new disclosures; however, the Summary and Questions for Respondents section refers to existing disclosure requirements related to the terms and conditions of share-based payment awards.

The guidance in the proposed ASU would be effective for fiscal years, and for interim periods within those fiscal years, beginning on or after December 15, 2010. In the period of adoption, entities would record a cumulative effect adjustment to the opening balance of retained earnings for that year, presented separately for all outstanding awards as of the beginning of the fiscal year in which the proposed guidance is initially applied. Early adoption would be permitted.

The comment period for the proposed ASU ends on February 12, 2010.

C. AICPA – accounting

Issued guidance

Technical Practice Aids

The AICPA staff issued the following nonauthoritative Technical Practice Aids (TPAs):

- [Technical Inquiry Service \(TIS\) Section 2220](#), “Long-Term Investments”
 - .18, “Applicability of Practical Expedient”
 - .19, “Unit of Account”
 - .20, “Determining Whether NAV is Calculated Consistent with FASB ASC 946, *Financial Services – Investment Companies*”
 - .21, “Determining Whether an Adjustment to NAV is Necessary”
 - .22, “Adjusting NAV When It Is Not as of the Reporting Entity’s Measurement Date”
 - .23, “Adjusting NAV When It Is Not Calculated Consistent with FASB ASC 946”
 - .24, “Disclosures – Ability to Redeem Versus Actual Redemption Request”
 - .25, “Impact of ‘Near-Term’ on Classification Within Fair Value Hierarchy”
 - .26, “Categorization of Investments for Disclosure Purposes”
 - .27, “Determining Fair Value of Investments When the Practical Expedient is not Used or is not Available”
- [TIS Section 9150.26](#), “The Accountant’s Responsibilities for Subsequent Events in Compilation and Review Engagements”
- [TIS Section 6910.33](#), “Certain Financial Reporting, Disclosure, Regulatory, and Tax Considerations When Preparing Financial Statements of Investment Companies Involved in a Business Combination”

Proposed guidance

Oil and gas accounting

The AICPA issued a [working draft](#) of the AICPA Audit and Accounting Guide, *Entities With Oil and Gas Producing Activities*, to address new accounting issues related to the oil and gas industry. The draft Guide considers authoritative guidance issued through September 1, 2009 and includes updated references to the Codification.

D. AICPA – audit and attest services

Issued guidance

Audit Risk Alerts

The AICPA issued the following Audit Risk Alerts:

- *Compilation and Review Developments*

- *Current Economic Instability: Accounting and Auditing Considerations*
- *Financial Institutions Industry Developments: Including Depository and Lending Institutions and Brokers and Dealers in Securities*
- *Government Auditing Standards and Circular A-133 Developments*
- *Health Care Industry Developments*
- *Insurance Industry Developments*
- *Investment Companies Industry Developments*
- *Real Estate and Construction Industry Developments*

These Alerts provide information about recent industry, technical, economic, regulatory, and professional developments that could affect audits and other engagements related to these industries.

The AICPA also issued a Financial Reporting Alert, *Current Economic Crisis: Accounting Issues and Risks for Financial Management and Reporting*, to address issues affecting financial management and reporting, especially those resulting from the economic crisis. Topics discussed include recent economic, legislative, and regulatory developments; financial management issues and developments; accounting issues and developments; audit and attestation issues; and ongoing standard setter projects and their potential impact on constituents.

The Audit Risk Alerts and Financial Reporting Alert are available in GEL.

Auditors' responsibilities and objectives (Preface to Codification of SASs, SAS)

The Auditing Standards Board (ASB) [issued](#) the preface to the Codification of Statements on Auditing Standards (SASs), *Principles Underlying an Audit Conducted in Accordance With Generally Accepted Auditing Standards*, which addresses

- The purpose of an audit and the premise upon which an audit is conducted
- Auditors' responsibilities
- The performance of an auditor's duties
- Auditors' reporting of findings

The discussion of principles in the preface is nonauthoritative, and the principles are not requirements for conducting an audit.

The ASB concurrently [issued](#) a SAS, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, to address an independent auditor's overall responsibilities when conducting an audit under generally accepted auditing standards (GAAS), including

- An independent auditor's overall objectives
- The nature and scope of an audit designed to enable an independent auditor to meet its objectives
- The scope, authority, and structure of GAAS
- Requirements that establish the general responsibilities of an independent auditor, applicable to all audits

The provisional effective date for the SAS is for audits of financial statements for periods beginning on or after December 15, 2010. The effective date of the final SAS will not be earlier than the provisional effective date.

Compilation and review engagements (SSARS)

The AICPA issued Statement on Standards for Accounting and Review Services (SSARS) 19, *Compilation and Review Engagements*. SSARS 19 includes the following significant changes to existing guidance:

- Accountants are no longer precluded from explaining in compilation reports why their independence is impaired.
- Authoritative guidance for compilations and reviews has been separated.
- The term “review evidence” has been added to and defined in the review literature.
- Accountants are required to document in an engagement letter their understanding with management regarding the compilation or review services to be performed.
- Documentation requirements for compilation and review engagements have been enhanced.

The new guidance also addresses obtaining limited assurance from review procedures, tailoring review procedures, and dealing with materiality in the context of review engagements.

Although SSARS 19 is effective for periods ending on or after December 15, 2010, the provision allowing accountants to explain their lack of independence when performing compilation services was effective on issuance of the Statement.

The AICPA also issued a [whitepaper](#), “Significant Change to Compilation Reporting Requirements When Independence Is Impaired,” to address the provision in SSARS 19 allowing accountants to explain why they are not independent when performing a compilation service.

Additionally, the AICPA issued an [Executive Summary](#) of SSARS 19.

Compliance audits (SAS)

The ASB issued SAS 117, *Compliance Audits*, to establish standards and provide guidance on performing and reporting on governmental compliance audits. The guidance in SAS 117

- Reflects recent changes in the compliance audit environment
- Incorporates risk assessment standards
- Describes which U.S. auditing standards apply to compliance audits and how they must be applied
- Identifies elements to be included in an auditor’s report on a compliance audit

SAS 117 is effective for compliance audits for fiscal periods ending on or after June 15, 2010, with earlier application permitted. SAS 117 is available in GEL.

Interpretations on internal control communication guidance (Interpretive Guidance)

The AICPA issued [Interpretations 2 through 4](#) of AU Section 9325A, *Communicating Internal Control Related Matters Identified in an Audit: Auditing Interpretations of AU Section 325A*:

- Interpretation 2, “Communication of Significant Deficiencies and Material Weaknesses Prior to the Completion of the Compliance Audit for Participants in Office of Management and Budget Single Audit Pilot Project”
- Interpretation 3, “Communication of Significant Deficiencies and Material Weaknesses Prior to the Completion of the Compliance Audit for Auditors That Are Not Participants in Office of Management and Budget Pilot Project”
- Interpretation 4, “Appropriateness of Identifying No Significant Deficiencies or No Material Weaknesses in an Interim Communication”

Updated Guides

The AICPA issued two updated publications:

- AICPA Audit Guide, *Auditing Derivative Instruments, Hedging Activities, and Investments in Securities*
- AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities*

The AICPA has updated these Guides to conform to the Codification and relevant guidance contained in pronouncements issued through August 1, 2009.

The Guides are available in GEL.

Proposed guidance

Clarity standards (Proposed SAS)

The AICPA issued the following proposed SASs representing the redrafting of existing SASs to apply the ASB’s clarity drafting conventions and to converge U.S. auditing standards with international guidance:

- *Analytical Procedures (Redrafted)*
- *Audit Evidence – Specific Considerations for Selected Items*
- *Communicating Internal Control Related Matters Identified in an Audit (Redrafted)*
- *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*
- *Engagements to Report on Summary Financial Statements*
- *Forming an Opinion and Reporting on Financial Statements*
- *Modifications to the Opinion in the Independent Auditor’s Report*
- *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements (Redrafted)*
- *Reporting on Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country*
- *Reports on Application of Requirements of an Applicable Financial Reporting Framework*
- *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*

- *Terms of Engagement*
- *Written Representations*
- *Using the Work of an Auditor's Specialist*

The provisional effective date for the proposed SASs is for audits of financial statements for periods beginning on or after December 15, 2010. The effective date of the final Statements will not be earlier than the provisional effective date.

Other

FAQs on Clarity Project

The AICPA issued a [frequently asked questions \(FAQ\) document](#), *Clarity Project: Update and Final Product*, to address common questions related to the AICPA's Clarity Project, which is designed to improve CPA compliance with and understanding of GAAS. The FAQs address the following topics:

- The objective and scope of the project
- The project's estimated completion date
- How the clarified standards will be issued
- The effective date and transition guidance of the clarified standards
- The effect of the project on current standards

Comment letters issued

The firm issued [comment letters](#) to the ASB on the following items:

- Proposed SAS, *External Confirmations*
- Proposed SAS, *Quality Control for an Audit of Financial Statements*
- Proposed Statement on Quality Control Standards, *A Firm's System of Quality Control (Redrafted)*

E. U.S. Securities and Exchange Commission

Issued guidance

Compensation and governance disclosures (Final Rule)

The SEC adopted a [Final Rule](#), *Proxy Disclosure Enhancements*, to enhance information related to proxy solicitations and other reports filed with the SEC by requiring registrants to make new or revised disclosures about the following:

- Compensation policies and practices
- Director and nominee qualifications and legal proceedings
- Board leadership structure and role in risk oversight
- Potential conflicts of interest of compensation consultants that advise companies and their boards

The Final Rule also requires entities to report shareholder voting results on Form 8-K.

The Final Rule is effective February 28, 2010.

Compliance and Disclosure Interpretations (Interpretive Guidance)

The Compliance and Disclosure Interpretations described below reflect the views of the SEC staff. They are not rules, regulations, or statements of the Commission and have not been approved by the Commission. The interpretations are intended as general guidance and should not be relied on as definitive.

The SEC staff updated Compliance and Disclosure Interpretation (C&DI) topic, *Securities Act Sections*, by adding [Questions 139.29 and 139.30](#) on executing a lock-up agreement in relation to an exchange offer before filing a registration statement with the SEC.

The staff added [Question 103.10](#) to C&DI topic, *Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting*, to clarify the calculation of the 10-day period for filing a Schedule 13D beneficial ownership report upon acquiring more than five percent of a class of equity securities registered under Section 12 of the Exchange Act. Accordingly, the staff concurrently withdrew the previous guidance on calculating the 10-day period in Question 103.05.

The SEC staff added a new C&DI topic, [Proxy Disclosure Enhancements Transition](#), which addresses the following:

- How the effective date of the SEC's [Final Rule, Proxy Disclosure Enhancements](#), applies to an issuer's Form 10-K for fiscal year 2009 and its proxy statement containing Form 10-K Part III information for 2009
- Whether an issuer that is not required to comply with the disclosure requirements of the Final Rule may do so on a voluntary and discretionary basis
- How the February 28, 2010 effective date of the Regulation S-K amendments under the Final Rule affects
 - Registration statements for an entity with a 2009 fiscal year ending before December 20, 2009
 - New registrants
- How the timing of the annual shareholders' meeting interacts with the February 28, 2010 effective date of the amendments to Form 8-K under the Final Rule

EDGAR Filer Manual updated

The SEC issued the following revised volumes of the [EDGAR Filer Manual](#):

- Volume I, "General Information," Version 8 (September 2009)
- Volume II, "EDGAR Filing," Version 13 (September 2009)

The SEC revised the Filer Manual primarily to

- Enforce additional eXtensible Business Reporting Language (XBRL) validation requirements to improve the quality of XBRL exhibits
- Allow filers to electronically submit their withdrawal of application for exemptive or other relief from the Investment Companies Act
- Allow filers to add Subject Company related information for certain submission types

Filers must comply with the requirements of the Filer Manual to assure the timely acceptance and processing of filings made in electronic format. The revised Filer Manual was effective as of October 30, 2009.

Financial Reporting Manual updated

The SEC Division of Corporation Finance Financial Reporting Manual does not contain rules, regulations, or statements of the SEC, nor has it been approved by the Commission. It is not intended to be published views of the Division of Corporation Finance or of the Office of the Chief Accountant, such as a Staff Accounting Bulletin. The Manual was designed as an internal reference document for Division of Corporation Finance staff and should not be relied on as authoritative.

The CorpFin staff has updated its SEC Division of Corporation Finance [Financial Reporting Manual](#) as of September 30, 2009. Significant additions to the Manual include the following guidance:

- Section 13600: Registrants must provide or incorporate by reference revised financial statements reflecting material retrospective adjustments to provisional amounts previously reflected in the registrant's financial statements under ASC 805, *Business Combinations*, 10-25 (formerly FASB Statement 141 (revised 2007), *Business Combinations*).
- Section 4115: If the PCAOB revokes an audit firm's registration, that firm's audit reports can no longer be included in a registrant's filings made on or after the date the firm's registration is revoked, even if the report was previously issued before the revocation date.
- Section 4810.4(e): A registrant is not required to file an updated consent on its annual financial statements when it forward incorporates Form 10-Q into a pre-effective Form S-3. However, the auditor's liability under Section 11 extends through the effective date of the registration statement, regardless of whether an updated consent is filed.
- Section 6270: The SEC staff will not object if a foreign private issuer presents its capitalization table as of the same date as the most recent balance sheet required in the registration statement, even though Form 20-F requires that the table be prepared as of a date within 60 days of the effective date of the registration statement.
- Section 6220.6(b): If a foreign issuer includes recent foreign GAAP earnings releases in its prospectus pursuant to Item 8.A.5 of Form 20-F, it must supplement that information with both a description and a quantification of differences in accounting principles between its home country GAAP and U.S. GAAP.
- Section 2500.16: Foreign private issuer parent companies must include condensed consolidating information about subsidiary issuers and guarantors for all required annual and interim periods in a registration statement, although such information is not required on a quarterly basis for Form 20-F filers.
- Section 6120.5: In response to the proposed incorporation of IFRS into Canadian GAAP for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011, Canadian companies that are not foreign private issuers may continue to use Canadian GAAP and Canadian dollars in SEC filings, provided they file on domestic forms with a reconciliation to U.S. GAAP, prior to 2011, but must present all periods in accordance with U.S. GAAP in SEC filings thereafter. Canadian foreign private issuers preparing their financial statements in accordance with IFRS as issued by the IASB are not required to reconcile to U.S. GAAP.

Investment advisers (Final Rules and Interpretive Release)

The SEC issued two Final Rules and one Interpretive Release related to the Investment Advisers Act of 1940.

The [Final Rule](#), *Custody of Funds or Securities of Clients by Investment Advisers* (Custody Rule), requires a registered adviser to comply with the following:

- Undergo an annual surprise examination by an independent public accountant to verify client assets
- Have a qualified custodian maintaining client funds and securities send account statements directly to advisory clients
- If client assets are not maintained by an independent custodian, obtain or receive from a related person a report on the internal controls related to the custody of advisory clients' assets from an independent public accountant registered with, and subject to, periodic inspection by the PCAOB

The Custody Rule is effective March 12, 2010.

Also, the SEC issued an [Interpretive Release](#), *Commission Guidance Regarding Independent Public Accountant Engagements Performed Pursuant to Rule 206(4)-2 Under the Investment Advisers Act of 1940*, to provide direction on the independent verification and internal control report required under the Custody Rule. The Interpretive Release is effective March 12, 2010.

Finally, the SEC adopted the [Final Rule](#), *Temporary Rule Regarding Principal Trades with Certain Advisory Clients*, to extend the Interim Final Temporary Rule that established an alternative means for investment advisers registered as broker-dealers with the Commission to meet the requirements of Section 206(3) of the Investment Advisers Act when they act in a principal capacity in transactions with certain advisory clients. The Final Rule is effective as of December 30, 2009. Absent further action by the Commission, the Final Rule will expire on December 31, 2010.

NRSRO Rules (Final Rule and Small Entity Compliance Guides)

Small Entity Compliance Guides summarize and explain rules adopted by the SEC, but they are not a substitute for SEC rules. Only an SEC rule provides complete and definitive information regarding its requirements.

The Commission issued a Final Rule, [References to Ratings of Nationally Recognized Statistical Rating Organizations](#), in response to concerns that references to certain credit ratings in SEC rules and forms may have contributed to inappropriate reliance on those ratings by market participants; it amends certain rules and forms by removing references to credit ratings issued by nationally recognized statistical rating organizations (NRSROs). The amendments affect rules and forms under the Securities Exchange Act of 1934 related to the regulation of self-regulatory organizations and alternative trading systems, as well as rules under the Investment Company Act of 1940 that impact an investment company's ability to purchase refunded securities and securities in underwritings in which an affiliate is participating. The Final Rule was effective November 12, 2009.

The SEC also issued two Small Entity Compliance Guides, [Amendments to the Rules Relating to the Oversight of Nationally Recognized Statistical Rating Organizations](#) and [References to Ratings of Nationally Recognized Statistical Rating Organizations](#). The Guides summarize and explain the Final Rules, [Amendments to Rules for Nationally Recognized Statistical Rating Organizations](#) (effective April 10, 2009) and [References to Ratings of Nationally Recognized Statistical Rating Organizations](#).

Oil and gas reporting (Final Rule, Interpretive Guidance, SAB 113, NDS 2009-36)

Staff Accounting Bulletins are not rules or interpretations of the Commission. They represent interpretations and practices followed by the staff of the Division of Corporation Finance and the Office of the Chief Accountant in administering the financial, accounting, and disclosure requirements of the federal securities laws. The SEC staff intends Staff Accounting Bulletins to be applied to analogous situations

In 2008, the SEC updated the disclosure requirements for oil and gas reporting companies for the first time in 26 years. Registrants with oil and gas producing activities must comply with the SEC's [Final Rule, Modernization of Oil and Gas Reporting](#), in annual reports for fiscal years ending on or after December 31, 2009 and in registration statements filed on or after January 1, 2010. Registrants are not permitted to early adopt the Final Rule.

Some of the significant changes under the modernized rules include

- Replacement of year-end price with 12-month average price to calculate reserve estimates
- Inclusion of oil and gas extracted from nontraditional sources in reserve estimates
- Permitted use of new technologies that meet the definition of "reliable" to determine oil and gas reserves and requirement to disclose which technologies the registrant used to determine reserves
- Required disclosure of reserves by specific geographic area
- Permitted disclosure of both probable and possible reserves, as defined, in addition to required disclosure of proved reserves
- Requirement to include reports and related consents from third parties who prepare, audit, or perform a process review of the registrant's reserves estimates if the registrant discloses the involvement of third parties for such purposes

The Final Rule changes both full cost and successful efforts accounting methods in that the denominator used in the units-of-production amortization method conforms to the proved reserves determined under the Final Rule. Additional revisions to the full cost accounting rules require the full cost ceiling to be computed using the same pricing requirements (12-month average price) that are used in determining reserve quantities. However, pricing assumptions used in the evaluation of oil and gas properties for impairment under the successful efforts method will not be affected by the SEC's changes.

In October 2009, the SEC staff issued a new [C&DI](#) topic, *Oil and Gas Rules*, which provides clarifications of the following terms as defined in the SEC's Final Rule:

- Deterministic estimate
- Development project
- Possible reserves
- Probable reserves
- Proved oil and gas reserves
- Reliable technology
- Reserves
- Undeveloped oil and gas reserves

In addition, C&DI topic, [Regulation S-K](#), has been updated to include new questions 154.01, 154.02, and 154.03 to provide guidance related to oil and gas disclosures as amended by the SEC's Final Rule.

The SEC staff also issued [Staff Accounting Bulletin \(SAB\) 113](#) to make the guidance in its Staff Accounting Bulletin Series consistent with current authoritative accounting and auditing guidance and SEC rules and regulations. In particular, SAB 113 amends or rescinds portions of the guidance in SAB Topic 12, "Oil and Gas Producing Activities," to make the relevant guidance and terminology consistent with the guidance in the SEC's Final Rule.

[NDS 2009-36](#), "The SEC's modernized oil and gas reporting rules: Registrants must comply with new rules in annual reports for fiscal years ending on or after December 31, 2009," was issued during the quarter ended December 31, 2009 and should be referred to for a summary of the updated oil and gas guidance.

Section 404(b) compliance date for non-accelerated filers (Final Rule, NDS 2009-30)

The SEC issued a [Final Rule](#), *Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers*, to extend the date by six months by which non-accelerated filers (that is, companies with an aggregate worldwide public float of less than \$75 million) must begin to comply with the Section 404(b) auditor attestation requirement of the Sarbanes-Oxley Act of 2002. With the extension, non-accelerated filers must include in their annual reports an auditor's attestation report on internal control over financial reporting beginning with fiscal years ending on or after June 15, 2010.

The Rule was effective on December 18, 2009.

Shareholder proposals (Staff Legal Bulletin)

Staff Legal Bulletins are not rules or interpretations of the Commission. They represent interpretations and practices followed by the staffs of the Divisions of Corporation Finance, Market Regulation, or Investment Management on any given matter. The Commission has neither approved nor disapproved the content of these bulletins.

The SEC Division of Corporation Finance (CorpFin) staff issued [Staff Legal Bulletin 14E](#), *Shareholder Proposals*, to provide information for companies and shareholders regarding Rule 14a-8 of the Securities Exchange Act of 1934. This bulletin addresses issues pertaining to shareholder proposals, including proposals relating to risk or to succession planning for a company's chief executive officer, as well as how shareholder proponents and companies can notify the SEC that they will be submitting correspondence in connection with a no-action request.

Proposed guidance

Director nomination proposal (Proposed Rule)

The SEC reopened the comment period for the [proposed Rule](#), *Facilitating Shareholder Director Nominations*. The proposed Rule, which was originally issued in June 2009, would change federal proxy rules by removing existing impediments to shareholders' ability to nominate directors for company boards of directors. The SEC has reopened the comment period to allow interested parties to comment on additional data and related analyses that have been added to the public comment file.

The comment period on the proposed Rule ends January 19, 2010.

Disclosure of information regarding credit ratings (Proposed Rule and Concept Release)

The SEC issued a [proposed Rule](#), *Credit Ratings Disclosure*, to help users understand credit ratings and their limitations by requiring disclosure of information on credit ratings used by registrants, including

closed-end management investment companies, in connection with a registered securities offering. The proposed Rule would require disclosures about potential conflicts of interest that could affect credit ratings. Additionally, the proposed Rule would require disclosure of preliminary credit ratings in certain circumstances to enhance the information available to investors regarding the credit ratings process that may relate to the rating's quality or reliability.

In connection with this proposal, the SEC issued [Concept Release on Possible Rescission of Rule 436\(g\) Under the Securities Act of 1933](#), and intends to consider comments on the Concept Release before deciding whether to rescind Rule 436(g) of the Securities Act of 1933. Rule 436(g) provides an exemption for NRSROs from being considered a part of a registration statement prepared or certified by a person under Sections 7 and 11 of the Securities Act. The Commission would use the comments to develop a better understanding about whether there is still a sufficient basis to warrant exempting NRSROs from Sections 7 and 11 of the Securities Act.

Comments on the proposed Rule and Concept Release were due by December 14, 2009.

Internet availability of proxy materials (Proposed Rule)

Under a recently [proposed Rule, Amendments to Rules Requiring Internet Availability of Proxy Materials](#), the SEC would make changes to its proxy rules to provide

- Additional flexibility regarding the format of the Notice of Internet Availability of Proxy Materials (the Notice) sent to shareholders
- Guidance on identifying in the Notice matters intended to be acted on at the shareholders' meeting
- The option for issuers and soliciting shareholders to include with the Notice explanatory materials regarding the process of receiving and reviewing proxy materials and voting
- Revisions to the timeframe for delivering a Notice to shareholders when a soliciting person other than the issuer relies on the notice-only option

Comments on the proposed Rule were due by November 20, 2009.

PCAOB Auditing Standard 7

The SEC published a [notice](#) to solicit comments on PCAOB [Auditing Standard \(AS\) 7, Engagement Quality Review](#), which provides a new framework for the engagement quality review process, including new review, approval, and documentation requirements. The PCAOB adopted AS 7 in July 2009. Upon SEC approval, AS 7 will be effective for engagement quality reviews of both audits and reviews of interim financial information for fiscal years beginning on or after December 15, 2009.

Comments were due by November 27, 2009.

References to security ratings (Proposed Rule)

The SEC reopened the comment period on its [proposed Rule, Security Ratings](#), as well as two companion Rule proposals that would affect rules and forms for [broker dealers](#) and [investment companies](#). The proposed Rules would replace provisions in rules and forms under both the Securities Act of 1933 and the Securities Exchange Act of 1934 that rely on the use of security ratings issued by credit rating agencies with alternative requirements. The SEC reopened the comment periods, which had originally closed on September 5, 2008, to provide constituents with an opportunity to submit additional comments before taking further action. Comments on these proposed Rules were due by December 8, 2009.

Other

2009 AICPA National Conference on Current SEC and PCAOB Developments (NDS 2009-37)

At the 2009 AICPA National Conference on Current SEC and PCAOB Developments, which was held in Washington, D.C. on December 7-9, speakers centered on a few recurring themes:

- Providing transparent, understandable financial information and disclosures to investors
- Moving toward the establishment of a single set of high-quality global accounting standards
- Ensuring the unbiased independence of all standard setters
- Examining recent regulatory changes triggered by the economic downturn

[NDS 2009-37](#), “2009 AICPA National Conference on Current SEC and PCAOB Developments: Forging ahead on IFRS convergence, transparency, and regulatory independence,” presents the highlights of this three-day conference, as well as detailed information on specific accounting and reporting topics that continue to be the focus of regulatory review, including

- Transfers of financial assets
- Consolidation of variable interest entities
- Fair value measurements
- Goodwill impairment
- Management’s Discussion and Analysis

The annual conference is considered the premier opportunity for financial statement users and preparers, industry experts, and auditors and other advisors to gain insights on how representatives from the SEC, FASB, IASB, PCAOB, and AICPA currently think about major accounting, financial reporting, and disclosure issues that affect public entities.

Copies of the speeches presented by SEC Commissioner Elisse B. Walter, as well as the Commission’s Chief Accountant, Deputy and Associate Chief Accountants, and Professional Accounting Fellows, may be accessed at the [SEC website](#). Copies of speeches presented by PCAOB Acting Chairman Daniel L. Goelzer and Chief Auditor Martin F. Baumann may be accessed at the [PCAOB website](#).

Draft strategic plan

The SEC released its 2010-15 [Draft Strategic Plan](#) for public comment, which outlines the Commission’s strategic goals; its plans for achieving those goals; its mission, vision, values, and resources; and its outlook on financial markets and the regulatory environment. Comments on the draft plan were due by November 16, 2009.

Executive compensation disclosures

On November 9, 2009, Shelley Parratt, Deputy Director of CorpFin, gave a [speech](#) at the 4th Annual Proxy Disclosure Conference to discuss issues related to SEC registrants’ executive compensation disclosures. Ms. Parratt identified two areas in particular in which the SEC staff has often noted deficiencies in registrants’ executive compensation disclosures: analysis of compensation decisions and descriptions of performance targets. In particular, Ms. Parratt noted the following key points:

- Companies generally provide extensive detail on the framework in which compensation decisions are made but often do not provide adequate information on *why* these decisions are made.
- Registrants need to consider whether executives' performance targets are material to the company's compensation policies and decisions.
- Before deciding to omit performance target information from its disclosures because the disclosure would cause competitive harm, a company must perform an analysis similar to the analysis it would perform if it were making a formal request to the SEC for confidential treatment of trade secrets or commercial or financial information contained in a material contract exhibit to an SEC filing.

This is the third consecutive year that the SEC staff has made similar comments about providing analysis of compensation decisions, describing material performance targets, and omitting performance targets because of competitive harm. Ms. Parratt indicated that going forward, the staff is likely to request a registrant to amend its filing if it does not materially comply with the executive compensation disclosure rules.

Financial institutions – common issues

The SEC published on its website a presentation entitled "[Areas of Frequent Staff Comment – Financial Institutions](#)," to provide an overview of issues that the CorpFin staff frequently encounters when reviewing filings for community banks. The information in the presentation materials may be useful for all types of financial institutions and their auditors.

Smaller registrants – common issues

The SEC recently published a presentation entitled "[SEC Staff Review of Common Financial Reporting Issues Facing Smaller Issuers](#)," which addresses, among other things, the following significant topics:

- Impairments and related disclosure
- Reverse mergers and "back door" registrations
- Related party transactions
- Restricted net assets
- Smaller reporting company transitions and determinations
- Disclosure controls and procedures
- Internal control over financial reporting

XBRL portal

The SEC established a [portal](#) for information about XBRL. The portal includes links to information on the SEC website about XBRL technology and the processes of creating and submitting XBRL-tagged interactive data files in accordance with SEC rules.

Comment letter issued

The firm issued a [comment letter](#) to the SEC on its Notice of the PCAOB's filing of Auditing Standard (AS) 7, *Engagement Quality Review*.

F. Public Company Accounting Oversight Board

Proposed guidance

Risk assessment (Proposed Auditing Standards)

The PCAOB voted to repropose for comment seven Auditing Standards and related amendments in a release entitled [Proposed Auditing Standards Related to the Auditor's Assessment of and Response to Risk and Related Amendments to PCAOB Standards](#). The PCAOB originally voted to issue the proposed Auditing Standards at its meeting on October 21, 2008 and has since evaluated comments received and refined the proposed guidance.

The following are the proposed Auditing Standards:

- *Audit Risk*
- *Audit Planning and Supervision*
- *Identifying and Assessing Risks of Material Misstatement*
- *Consideration of Materiality in Planning and Performing an Audit*
- *The Auditor's Responses to the Risks of Material Misstatement*
- *Evaluating Audit Results*
- *Audit Evidence*

The amendments to the originally proposed Auditing Standards would

- Include additional provisions from AS 5, *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*, related to identifying and assessing risks that apply to financial statement audits
- Contain enhancements to the requirements for consideration of fraud in an audit, including the following:
 - Revisions to the requirements regarding consideration of potential bias in financial statements
 - Additional requirements regarding consideration of potential fraud risks related to omitting or presenting incomplete disclosures
- Include new requirements and discussion regarding the auditor's responsibilities for evaluating disclosures

The comment period on the proposed Auditing Standards ends March 2, 2010. Any new standards and amendments of existing PCAOB standards that the Board ultimately adopts will be submitted to the SEC for approval.

G. Governmental Accounting Standards Board

Issued guidance

Measuring OPEB plans (GASB Statement)

The Governmental Accounting Standards Board (GASB) [issued](#) Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, to address issues related to measurement of other postemployment benefits (OPEB) by certain employers participating in agent multiple-employer OPEB plans. Statement 57 amends Statement 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement 57 includes the following guidance:

- Certain agent employers are permitted to use an alternative method to measure OPEB obligations that is expected to be less complex and less expensive than a full actuarial valuation.
- Defined benefit OPEB plans are not always required to obtain a full actuarial valuation because the alternative measurement method is available.
- OPEB measurements must be made with the same frequency and timing for agent multiple-employer plans and their participating employers.

The provisions permitting the use of the alternative measurement method are effective immediately, and the provisions regarding the frequency and timing of OPEB measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. Early application is encouraged.

Bankruptcy accounting (GASB Statement)

The GASB recently [issued](#) Statement 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, to provide guidance for governments that have petitioned for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code. Statement 58 establishes requirements for recognizing and measuring the effects of bankruptcy.

Statement 58 is effective for periods beginning after June 15, 2009, and retrospective application is required for all prior periods presented during which a government was in bankruptcy. Early application is encouraged.

H. International Accounting Standards Board

Issued guidance

Classification and measurement of financial assets (IFRS 9)

The IASB issued IFRS 9, *Financial Instruments*, which addresses the classification and measurement of financial assets.

Classification

Unless an entity chooses to designate a financial asset at fair value through profit or loss, IFRS 9 requires an entity to classify financial assets at either amortized cost or fair value on the basis of

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset

Business model

The entity's business model for managing financial assets is determined by the entity's key management personnel. It does not depend on management's intentions for individual instruments. It is based on a higher level of aggregation, such as a portfolio.

Evaluation of contractual cash flows

IFRS 9 requires entities to assess whether the contractual cash flows are solely payments of principal and interest on the principal outstanding for the currency in which the financial asset is denominated. If this is the case, and the objective of the entity's business model is to hold the financial asset to collect the contractual cash flows, the financial asset is measured at amortized cost unless the entity elects to designate it at fair value through profit or loss.

When the condition that the contractual cash flows are solely payments of principal and interest is not met, or the objective of the entity's business model is other than to hold the financial asset to collect the contractual cash flows, the asset must be measured at fair value.

Fair value for other financial instruments

When a contract contains an embedded derivative (meaning the cash flows relating to that part of the instrument vary like those of a stand-alone derivative), the required accounting depends on whether the host instrument is within the scope of IFRS 9. IFRS 9 eliminates the requirement to separate embedded derivatives within hybrid contracts if the host contract is within the scope of IFRS 9 (broadly, when the host is a financial asset).

IFRS 9 contains a modified version of the option to designate a financial asset at fair value through profit or loss that was in IAS 39, *Financial Instruments: Recognition and Measurement*.

The default recognition requirement under IFRS 9, for a gain or a loss on a financial asset measured at fair value, is through profit or loss unless the financial asset is part of a hedging relationship.

At initial recognition, an entity may make an irrevocable election to recognize subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income. Amounts recognized in other comprehensive income will not subsequently be reclassified to profit or loss on realization (sometimes referred to as *recycling*). The cumulative gain or loss may, however, be reclassified within equity.

Although IFRS 9 requires that all investments in equity instruments and contracts on those instruments must be measured at fair value, it notes that, in limited circumstances, cost may be an appropriate estimate of fair value.

Impairment

The reduction in the number of categories of financial instruments to two means that only one impairment method is necessary.

For financial assets held at fair value, all gains and losses are either recognized in profit or loss or in other comprehensive income if the entity elects to recognize gains and losses on equity investments in other comprehensive income. It is therefore not necessary to assess these assets for impairment. Under IFRS 9, the impairment requirements in IAS 39.58-65 and IAS 39.AG84-AG93 therefore only apply to financial assets measured at amortized cost.

Measurement

At initial recognition, IFRS 9 requires entities to measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial assets are either measured at fair value or amortized cost.

Reclassification

IFRS 9 requires an entity to reclassify financial assets when, and only when, it changes its business model for managing its financial assets.

Effective date and transition

Entities are required to apply IFRS 9 for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

IFRS 9's transition rules are complex. In summary, the main requirements are as follows:

- IFRS 9 is required to be applied retrospectively subject to certain transitional provisions. For the purpose of applying these transitional provisions, it is necessary to determine the date of initial application (which is the date when an entity first applies the requirements of IFRS 9).
- The determination of the date of initial application depends on whether the entity adopts IFRS 9 before or after January 1, 2011. If it adopts IFRS 9 before January 1, 2011, the date of initial application can be any date between the issue of IFRS 9 (November 12, 2009) and December 31, 2010. If the entity adopts IFRS 9 on or after January 1, 2011, the date of initial application is the beginning of the first reporting period in which it is adopted.
- Under the transitional rules, application of IFRS 9's classification requirements (determining whether financial assets are classified at fair value or amortized cost) is based on the facts and circumstances at the date of initial application. The resulting classification is applied retrospectively.
- The transitional rules also state that if an entity adopts this IFRS for reporting periods beginning before January 1, 2012, it need not restate prior periods. If this is the case, the entity adjusts the opening retained earnings of the reporting period of initial application.

Entities preparing interim financial reports under IAS 34, *Interim Financial Reporting*, do not need to apply the requirements of IFRS 9 to interim periods prior to the date of initial application if it is impracticable to do so.

Classification of rights issues (Amendment to IAS 32)

The IASB [announced](#) the issuance of *Classification of Rights Issues: Amendment to IAS 32*, which addresses the accounting for rights issues (rights, options, or warrants) denominated in a currency other than the functional currency of the issuer. The Amendment to IAS 32, *Financial Instruments: Presentation*, states that rights issues to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options, or warrants pro rata to all of its existing owners of the same class of its own (non-derivative) equity instruments. Previously, rights issues denominated in a foreign currency were accounted for as derivative liabilities at fair value through profit or loss.

The IASB agreed that a contract with an exercise price denominated in a foreign currency would not result in the entity receiving a fixed amount of cash in its functional currency. However, the IASB also agreed that classifying rights issues as derivative liabilities does not reflect their substance. Rights are

issued only to existing shareholders on the basis of their existing shareholdings. Accordingly, the IASB decided that a pro rata issue of rights, options, or warrants to all existing shareholders to buy additional shares is a transaction with an entity's owners in their capacity as owners. Given that foreign currency rights issues are more common in the current economic environment, and often involve substantial amounts of money, the IASB has made a narrow, targeted amendment to IAS 32.

The Amendment to IAS 32 is effective for annual periods beginning on or after February 1, 2010. Earlier application is permitted.

Comment letters issued

Grant Thornton International Ltd issued [comment letters](#) to the IASB on the following items:

- IFRIC Draft Interpretation D25, "Extinguishing Financial Liabilities with Equity Instruments"
- IASB Exposure Draft, *Rate-regulated Activities*
- IASB Exposure Draft, *Improvements to International Financial Reporting Standards*
- IASB Exposure Draft, *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*

Additionally, Grant Thornton International Ltd issued [comment letters](#) to

- The European Financial Reporting Advisory Group on its Draft Endorsement Advice and Effects Study Report on IFRS 9, *Financial Instruments*
- The IASC Foundation on its Consultation Document, Part 2 of the Constitution Review – Proposals for Enhanced Public Accountability

I. International Auditing and Assurance Standards Board

Issued guidance

Controls at service organizations (ISAE)

The International Auditing and Assurance Standards Board (IAASB) [issued](#) International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Service Organization*. ISAE 3402 addresses the following areas:

- Engagement acceptance and continuance conditions
- Assessment of the suitability of criteria used by the service organization to make its assertions about
 - The fair presentation of its description of controls
 - The effective design of controls
 - In the case of a type 2 report, the operating effectiveness of controls
- The nature, timing, and extent of evidence-gathering procedures related to each component of the assurance report
- The elements of the service auditor's report

ISAE 3402 is effective for service auditors' assurance reports for periods ending on or after June 15, 2011.

Other

External confirmations (Practice Alert)

The IAASB staff issued [Staff Audit Practice Alert](#), *Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements*, to raise awareness of potential issues and to help auditors use external confirmation procedures more effectively. The Practice Alert addresses the following topics:

- Remaining alert to the possibility of fraud in the confirmation process
- Identifying circumstances in which external confirmation procedures may not provide sufficient appropriate audit evidence
- Using technology in the external confirmation process
- Evaluating disclaimers and other restrictions in confirmation responses

Fair value auditing guidance (Consultation Paper)

The IAASB [released](#) a Consultation Paper, *Auditing Complex Financial Instruments*, to solicit constituents' views on developing new fair value auditing guidance related to complex financial instruments.

Comments on the Consultation Paper were due by January 15, 2010.

Greenhouse gas reporting (Consultation Paper)

The IAASB [released](#) a Consultation Paper, *Assurance on a Greenhouse Gas Statement*, to solicit constituents' views on enhancing the consistency and quality of how practitioners report on information about emissions inventories under carbon emissions trading schemes.

Comments on the Consultation Paper are due by February 19, 2010.

Tools for implementing clarified ISAs

The IAASB [released](#) several ISA Modules to promote awareness and understanding of the newly clarified ISAs. Each module relates to a new or significantly revised International Standard on Auditing (ISA) and consists of short video presentations and slides that are designed to explain the key principles of the ISAs, including the implications for audits of small- and medium-sized entities.

J. International Public Sector Accounting Standards Board

Issued guidance

Convergence with IFRS

The International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) [issued](#) a series of new or improved International Public Sector Accounting Standards that substantially converge with IFRS. The new standards will be available on the IFAC's [website](#) in January 2010.

Other

Long-term sustainability of public finances

The IPSASB issued a [Consultation Paper](#), “Reporting on the Long-Term Fiscal Sustainability of Public Finances,” to solicit views on how information on the long-term sustainability of government programs may complement information available in traditional financial statements to increase transparency and enhance accountability and decision making.

K. Federal Deposit Insurance Corporation

Issued guidance

Regulatory capital under FASB Statements 166 and 167 (Final Rule)

The Federal Deposit Insurance Corporation (FDIC) Board and other regulatory agencies approved a [Final Rule](#) related to changes in regulatory capital as a result of the issuance of Statement 166 and Statement 167 (recently codified in ASC 860 and ASC 810-10, “Variable Interest Entities,” subsections, respectively). The Final Rule was issued based on the expectation that banks will be required to hold regulatory capital for assets that are recognized as a result of applying these new accounting standards.

The Final Rule

- Provides an optional two-quarter delay, followed by a two-quarter phase-in period, for the effect on risk-based capital and on the allowance for loan and lease losses related to assets that must be consolidated as a result of adopting the new accounting standards
- Eliminates the exclusion of certain consolidated asset-backed commercial paper programs from risk-weighted assets
- Allows banking agencies to require banking organizations to treat entities not consolidated under U.S. GAAP as consolidated entities for regulatory risk-based capital purposes

Although the Final Rule is effective 60 days after its publication in the *Federal Register*, banking organizations may elect to comply with the Rule as of the beginning of their first annual reporting period that begins after November 15, 2009.

Proposed guidance

Safe harbor protection for securitizations (ANPR)

The FDIC issued an [Advanced Notice of Proposed Rulemaking \(ANPR\)](#) “Regarding Treatment by the Federal Deposit Insurance Corporation as Conservator or Receiver of Financial Assets Transferred by an Insured Depository Institution in Connection With a Securitization or Participation After March 31, 2010.” This ANPR follows the November 13, 2009 issuance of an [Interim Final Rule](#) that permanently grandfathers securitizations and participations in process through March 31, 2010. The ANPR seeks public comment on what standards should be applied to safe harbor treatment for securitizations and participations created after March 31, 2010.

The ANPR and the Interim Final Rule were issued in response to concerns raised by financial institutions, rating agencies, and others about whether the existing safe harbor regulation would still apply on adoption of Statement 166 and Statement 167 to transfers of financial assets that previously met the requirements for sale accounting under ASC 860. The existing Regulation codified at [12 C.F.R. Section 360.6](#), “Treatment by the Federal Deposit Insurance Corporation as conservator or receiver of

[financial assets transferred in connection with a securitization or participation](#),” provides a safe harbor for FDIC insured institutions in the event of a bank failure. To qualify for the safe harbor, an institution must, among other requirements, meet the requirements for sale accounting under ASC 860. It is expected that many financial institutions upon adopting Statement 166 and Statement 167 would be required to consolidate previously transferred financial assets and therefore such transfers would no longer meet the sale accounting criteria of the Regulation.

Comments on the ANPR are due within 45 days of its publication in the *Federal Register*.

L. Office of Management and Budget

The Office of Management and Budget (OMB) has updated its [frequently asked questions](#) on the American Recovery and Reinvestment Act of 2009 (ARRA) to clarify the following:

- Retention bonuses and cost of living increases provided with ARRA funding must be excluded from the calculation of total jobs created or retained.
 - The Buy America provision, under ARRA Section 1605, applies to the construction, alteration, maintenance, or repair of a facility undertaken by a state college or university with ARRA funds only if international agreements do not extend to the college or university, as outlined in the appendix to 2 CFR Part 176 Subpart B, and the facility will not be privately owned.
-

M. U.S. Department of Education

One of the new federal programs authorized by the ARRA was the U.S. Department of Education’s State Fiscal Stabilization Fund (SFSF) program. The SFSF program has two components: the Education Stabilization Fund and the Government Services Fund. The purpose of the SFSF program is to help stabilize state and local budgets in an effort to minimize and avoid reductions in education and other essential services, in exchange for a state’s commitment to advance essential education reforms.

Auditors have submitted a number of questions on the SFSF program to the Department of Education. Due to the program’s broad nature, the questions have generally related to the testing of allowable costs, the applicability of the cost principles to the SFSF program, and grantee requirements for recordkeeping, documentation, and reporting. To address these questions, the Department of Education issued a document entitled “[Guidance for Grantees and Auditors: State Fiscal Stabilization Fund Program](#).” In addition to providing a program overview, the document offers guidance on the following areas:

- With regard to the Education Stabilization Fund, information on restoration amounts, application requirements, and uses of funds
 - With regard to the Government Services Fund, information on uses of funds
 - Pre-award costs
 - Maintenance of effort requirements
 - Recordkeeping, documentation, and reporting
-

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For additional information on topics covered in this document, contact your Grant Thornton LLP adviser.

Appendix A

EITF Issues

EITF Issues and SEC staff announcements listed are those discussed during 2009 and on the EITF's inventory of open issues as of December 31, 2009. The status of each issue is noted if it has been incorporated in an Accounting Standards Update (ASU) or proposed ASU, or removed from the EITF's agenda. Consensus opinions are subject to ratification by the FASB, and subsequent issuance of an ASU, before they become effective.

Issue/Topic	Issue/Topic Title
08-1	"Revenue Arrangements with Multiple Deliverables" (ASU 2009-13 issued 10/09)
08-9	"Milestone Method of Revenue Recognition"
08-10	"Selected Statement 160 Implementation Questions"
09-1	"Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing" (ASU 2009-15 issued 10/09)
09-2	"Research and Development Assets Acquired and Contingent Consideration Issued In an Asset Acquisition" (removed from agenda 11/09)
09-3	"Certain Revenue Arrangements That Include Software Elements" (ASU 2009-14 issued 10/09)
09-4	"Seller Accounting for Contingent Consideration" (removed from agenda 9/09)
09-B	"Consideration of an Insurer's Accounting for Majority-Owned Investments When the Ownership Is through a Separate Account"
09-D	"Application of the AICPA Audit and Accounting Guide, <i>Investment Companies</i> , by Real Estate Investment Companies"
09-E	"Accounting for Distributions to Shareholders with Components of Stock and Cash" (ASU 2010-01 issued 1/10)
09-F	"Casino Base Jackpot Liabilities" (proposed ASU issued 12/09)
09-G	"Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts" (proposed ASU issued 12/09)

Issue/Topic	Issue/Topic Title
09-H	“Accounting by Healthcare Organizations (Presentation of Insurance Claims and Related Insurance Recoveries; Revenue Recognition; and Measuring Charity Care for Disclosure)”
09-I	“Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset” (proposed ASU issued 12/09)
09-J	“Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades” (proposed ASU issued 12/09)
D-86	“Issuance of Financial Statements” (ASU 2010-04 issued 1/10)
D-110	“Escrowed Share Arrangements and the Presumption of Compensation” (ASU 2010-05 issued 1/10)

Appendix B

2009 New developments summaries – listed numerically

Number	Date	Title
2009-01	1/07/2009	Highlights of EITF meeting: November 13, 2008
2009-02	1/09/2009	Another Interpretation 48 deferral for nonpublic entities: FASB Staff Position FIN 48-3
2009-03	1/16/2009	Summary of professional developments: Fourth quarter 2008
2009-04	1/29/2009	Disclosure requirements for entities electing Interpretation 48 deferral: Disclosure requirements of FASB Staff Position FIN 48-3
2009-05	1/29/2009	Troubled Asset Relief Program: Accounting issues in Capital Purchase Program
2009-06	1/30/2009	Other-than-temporary impairment of beneficial interests and debt securities: FASB Staff Position EITF 99-20-1
2009-07	2/06/2009	New public entity disclosures for transferred financial assets, VIEs, and QSPEs: FASB Staff Position FAS 140-4 and FIN 46R-8
2009-08	2/16/2009	FASB requires expanded disclosures for assets of postretirement benefit plans: FASB Staff Position FAS 132R-1
2009-09	2/24/2009	FASB Statements 141R and 160 transition issues: Effects on existing assets, liabilities, and consolidated subsidiaries
2009-10	3/02/2009	SEC adopts final rule for XBRL reporting: Implementation to occur as early as June 15, 2009
2009-11	3/19/2009	SEC executive compensation disclosure rules
2009-12	3/19/2009	Share-based payment: FASB Statement 123R
2009-13	3/23/2009	Analysis of recent SEC comments
2009-14	4/07/2009	Responding to SEC's proposed Roadmap to IFRS: Grant Thornton LLP's comment letter
2009-15	4/16/2009	Summary of professional developments: First quarter 2009
2009-16	4/21/2009	FASB amends guidance on contingencies in a business combination: FASB Staff Position FAS 141R-1

Number	Date	Title
2009-17	4/23/2009	Highlights of EITF meeting: March 19, 2009
2009-18	4/27/2009	Financial statement disclosures: First quarter update for calendar 2009 financial statements
2009-19	4/29/2009	FASB issues three FSPs in response to credit crisis: FASB Staff Positions FAS 157-4, FAS 115-2 and FAS 124-2, and FAS 107-1 and APB 28-1
2009-20	5/07/2009	FASB and IASB express views on accounting by lessees: Possible new model could eliminate operating leases
2009-21	5/08/2009	A fresh global view to revenue recognition: Joint FASB and IASB Discussion Paper
2009-22	6/11/2009	FASB issues Statement 165 on subsequent events: Statement describes accounting and disclosure requirements
2009-23	7/15/2009	FASB amends guidance on transfers of financial assets: Statement 166 modifies derecognition guidance
2009-24	7/15/2009	Consolidation of variable interest entities: FASB Statement 167
2009-25	7/15/2009	Summary of professional developments: Second quarter 2009
2009-26	7/27/2009	Financial statement disclosures: Second quarter update for calendar 2009 financial statements
2009-27	8/12/2009	Codification dramatically alters U.S. GAAP hierarchy: FASB Statement 168 and the <i>FASB Accounting Standards Codification</i> TM
2009-28	9/08/2009	CAQ issues SEC Regulations Committee highlights from its June 2009 meeting: SEC staff addresses financial reporting matters including Codification
2009-29	9/08/2009	Highlights of EITF meeting on June 18, 2009: FASB ratifies consensus and posts Draft Abstracts on consensuses-for-exposure
2009-30	10/02/2009	SEC issues six-month extension of Section 404(b) for non-accelerated filers: Compliance required for fiscal years ending on or after June 15, 2010
2009-31	10/08/2009	Modifications to uncertain tax position guidance: FASB provides implementation guidance and eliminates certain disclosures for nonpublic entities
2009-32	10/15/2009	Summary of professional developments: Third quarter 2009

Number	Date	Title
2009-33	10/21/2009	FASB offers practical expedient for measuring fair value of alternative investments: Amended ASC 820 permits certain investments to be measured at net asset value
2009-34	10/22/2009	Financial statement disclosures: Third quarter update for calendar 2009 financial statements
2009-35	10/30/2009 (Updated 12/22/2009)	Modifications to accounting for multiple-element revenue arrangements: Separating elements becomes easier
2009-36	12/01/2009	The SEC's modernized oil and gas reporting rules: Registrants must comply with new rules in annual reports for fiscal years ending on or after December 31, 2009
2009-37	12/29/2009	2009 AICPA National Conference on Current SEC and PCAOB Developments: Forging ahead on IFRS convergence, transparency, and regulatory independence

Appendix C

2009 New development summaries – listed by subject area

Topic	Number	Date	Source
Business combinations			
Contingencies in a business combination	2009-16	4/21/2009	ASC 805-20 (FASB Staff Position FAS 141R-1)
Seller accounting for contingent consideration	2009-29	9/08/2009	EITF Issue 09-4 (consensus-for-exposure)
ASC 805 transition issues	2009-09	2/24/2009	ASC 805 (FASB Statement 141R)
Codification			
Launch of <i>FASB Accounting Standards Codification</i> TM	2009-27	8/12/2009	ASC 105 (FASB Statement 168)
Consolidation			
Accounting for transfer of interests in certain consolidated subsidiaries	2009-01	1/07/2009	EITF Issue 08-10 (consensus-for-exposure)
Disclosures for transferred financial assets, VIEs, and QSPEs	2009-07	2/06/2009	Amended transfer and VIE disclosure guidance (FASB Staff Position FAS 140-4 and FIN 46R-8)
Equity method investments			
Equity method investment accounting considerations	2009-01	1/07/2009	Amended accounting and impairment guidance in ASC 323 (EITF Issue 08-6 (consensus opinion))
Fair value measurements			
Fair value measurements involving inactive markets and distressed transactions	2009-19	4/29/2009	Inactive markets and distressed transactions guidance in ASC 820 (FASB Staff Position FAS 157-4)

Topic	Number	Date	Source
Practical expedient for measuring fair value of alternative investments	2009-33	10/21/2009	Guidance amended by ASU 2009-12
Financial instruments			
Indexing to stock of consolidated subsidiary	2009-01	1/07/2009	ASC 815-40-15-5C (EITF Issue 08-8 (consensus opinion))
Interim disclosures related to fair value of financial instruments	2009-19	4/29/2009	Interim disclosure requirements in ASC 825 (FASB Staff Position FAS 107-1 and APB 28-1)
Own-share lending arrangements in contemplation of convertible debt issuance	2009-17, 2009-29	4/23/2009, 9/08/2009	EITF Issue 09-1 (consensus opinion)
Impairment			
Other-than-temporary impairment of beneficial interests and debt securities	2009-06	1/30/2009	ASC 325-40 (FASB Staff Position EITF 99-20-1)
Other-than-temporary impairment measurement and disclosure for debt and equity securities	2009-19	4/29/2009	OTTI guidance in ASC 320 (FASB Staff Position FAS 115-2 and FAS 124-2)
Income taxes			
Deferral of uncertain tax position guidance in ASC 740	2009-02	1/09/2009	ASC 740-10-15-2A through 15-2B (FASB Staff Position FIN 48-3)
Disclosure requirements for the deferral of uncertain tax position guidance in ASC 740	2009-04	1/29/2009	ASC 740-10-15-2A through 15-2B (FASB Staff Position FIN 48-3)
Implementation and disclosure guidance for nonpublic entities applying uncertain tax position guidance in ASC 740	2009-31	10/08/2009	Guidance amended by ASU 2009-06

Topic	Number	Date	Source
Intangible assets			
Accounting for defensive intangible assets	2009-01	1/07/2009	ASC 350 (EITF Issue 08-7 (consensus opinion))
Leases			
Lessee accounting	2009-20	5/07/2009	FASB and IASB Discussion Paper
Noncontrolling interests			
ASC 810-10 transition issues	2009-09	2/24/2009	ASC 810-10 (FASB Statement 160)
Postretirement benefit plans			
Expanded disclosures for assets of postretirement benefit plans	2009-08	2/16/2009	Amended postretirement benefit plan disclosure requirements in ASC 715 (FASB Staff Position FAS 132R-1)
Research and development			
Research and development assets acquired in a transaction other than a business combination	2009-17, 2009-29	4/23/2009, 9/08/2009	EITF Issue 09-2 (consensus-for-exposure)
Revenue recognition			
Applicability of ASC 985-605	2009-17, 2009-29, 2009-35	4/23/2009, 9/08/2009, 10/30/2009	EITF Issue 09-3 (consensus opinion), ASU 2009-14
Convergence of revenue recognition guidance	2009-21	5/08/2009	FASB and IASB Discussion Paper
Milestone method of revenue recognition	2009-17, 2009-29	4/23/2009, 9/08/2009	EITF Issue 08-9 (consensus-for-exposure)
Revenue arrangements with multiple deliverables	2009-01, 2009-17, 2009-29, 2009-35	1/07/2009, 4/23/2009, 9/08/2009, 10/30/2009	EITF Issue 08-1 (consensus opinion), ASU 2009-13

Topic	Number	Date	Source
SEC			
2009 AICPA SEC/PCAOB Conference	2009-37	12/29/2009	Conference speeches
Analysis of recent SEC comments	2009-13	3/23/2009	SEC Division of Corporation Finance comments to registrants
Compensation in an escrowed share arrangement	2009-29	9/08/2009	EITF Topic D-110
Executive compensation disclosure rules	2009-11	3/19/2009	Various sources
Financial reporting matters including Codification	2009-28	9/08/2009	CAQ document
Oil and gas reporting rules	2009-36	12/01/2009	SEC Final Rule, <i>Modernization of Oil and Gas Reporting</i>
Responding to SEC's proposed Roadmap to IFRS	2009-14	4/07/2009	Grant Thornton LLP comment letter
Section 404(b) compliance date for non-accelerated filers	2009-30	10/02/2009	SEC Final Rule, <i>Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-Accelerated Filers</i>
XBRL implementation timeline	2009-10	3/02/2009	SEC Final Rule, <i>Interactive Data to Improve Financial Reporting</i>
Share-based payment			
Share-based payment: ASC 718	2009-12	3/19/2009	ASC 718 (FASB Statement 123R)
Subsequent events			
Accounting and disclosure requirements for subsequent events	2009-22	6/11/2009	ASC 855 (FASB Statement 165)

Topic	Number	Date	Source
Transfers of financial assets			
Account for transfers of financial assets	2009-23	7/15/2009	Amended transfers of financial assets guidance (FASB Statement 166)
Troubled Asset Relief Program			
Accounting for the Capital Purchase Program of the TARP	2009-05	1/29/2009	U.S. Department of the Treasury's Troubled Asset Relief Program
Variable interest entities			
Consolidation of variable interest entities	2009-24	7/15/2009	Amended variable interest entity guidance (FASB Statement 167)

Appendix D

Effective dates – accounting and auditing pronouncements

The *Effective Date Schedule* may be accessed on the [Accounting publications](#) page.