

Auditing

Proposal Defines Professional Requirements in SSARS

In December 2005, the Auditing Standards Board issued Statement on Auditing Standards (SAS) No. 102, Defining Professional Requirements in Statements on Auditing Standards. SAS No. 102 expressly defined imperatives used to describe different degrees of the auditor's responsibility when conducting audit engagements in accordance with generally accepted auditing standards. The Accounting and Review Services Committee (ARSC) believes that by defining the levels of responsibilities accountants have in compilation and review engagements in a fashion similar to SAS No. 102, standards for compilation and review engagements will be clarified, and the imperatives used in such standards will be consistent with the standards for audit engagements. Therefore, the ARSC has proposed a Statement on Standards for Accounting and Review Services (SSARS), Defining Professional Requirements in Statements on Standards for Accounting and Review Services.

The proposed SSARS defines the terminology the ARSC will use to describe the degrees of responsibility that the requirements impose on the accountant. The proposed SSARS defines two categories of professional requirements:

- Unconditional requirements. The accountant is required to comply with an unconditional requirement in all cases in which the circumstances exist to which the requirement applies. An unconditional requirement is indicated by the words must or is required.
- Presumptively mandatory requirements. The accountant is also required to comply with a presumptively mandatory requirement in all cases in which the circumstances exist to which the requirement applies. The accountant may depart from a presumptively mandatory requirement provided that he or she justifies the departure and how alternative procedures performed in the circumstances were sufficient to achieve the objectives of the requirement. The word should indicates a presumptively mandatory requirement.

All professional requirements that a SSARS imposes on the accountant will be identifiable by statements using the words must, is required, or should. SSARSs also contain explanatory material that is intended to provide further explanation and guidance on the professional requirements. Such explanatory material is intended to be descriptive rather than imperative.

The proposed SSARS, if issued as a final standard, will be effective upon issuance. The proposed Standard is available for comment until October 25, 2007 at http://www.aicpa.org/download/exposure/Defining_Prof_Req.pdf.

SEC

SEC Reporting and FASB Update for Mid-sized and Smaller Public Companies

McGladrey & Pullen, LLP has assisted in the development of a two-day forum for the SEC Institute, SEC Reporting and FASB Forum for Mid-sized and Smaller Public Companies, which will be held October 15 and 16 in Las Vegas. The keynote speaker for the forum will be Carol Stacey, former Chief Accountant of the SEC's Division of Corporation

Finance. Other forum highlights include:

- An update from members of the SEC Small Business Advisory Committee about the current small business environment and new proposals
- The latest information on SOX 404 internal control reporting for both accelerated and non-accelerated filers
- New accounting topics, including the controversial business combinations standards expected to be finalized this summer, as well as other emerging issues
- The significant implications of the fair value standards and how they will affect public companies
- A complete SEC, FASB and PCAOB update

To register, visit the SEC Institute Web site at www.secinstitute.com or call 800.529.1550. Arrangements have been made to give our clients a substantial discount to attend the forum.

Employee Benefit Plans

Hammond Appointed to Employee Benefit Plan Industry Expert Panel

Josephine Hammond, a director in McGladrey & Pullen's National Office of Audit and Accounting, was recently appointed to serve as a member of the AICPA Employee Benefit Plan Industry Expert Panel. This panel is charged with tracking employee benefit plan industry developments, trends and opportunities in order to identify and advise on attest and assurance reporting issues unique to employee benefit plans.

Ms. Hammond has experience working with single employer and multi-employer plans, as well as plans with a variety of funding arrangements including defined benefit and defined contribution pension plans, 401(k) plans, health and welfare plans, master trusts and 103-12 investment entities. As a member of the Firm's National Office of Audit and Accounting, she is responsible for tracking audit and accounting issues that will have significant impact on the employee benefit plan audit practice and the Firm's quality control efforts in this area. In addition, Ms. Hammond develops and presents professional education material, practice aids and tools to support the Firm's employee benefit plan practice.

International

Clarification of IFRIC 14

To address questions that have arisen as a result of the interaction between statutory or contractual minimum funding requirements and the limit on the measurement of the defined benefit pension asset under International Accounting Standard (IAS) 19, Employee Benefits, the International Financial Reporting Interpretations Committee (IFRIC) released IFRIC 14, IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, in July 2007. This Interpretation clarified how to determine the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explained how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement.

Although the purpose of the Interpretation was to standardize practice and ensure that entities recognize an asset in relation to a surplus on a consistent basis, the IFRIC has observed several press articles and statements by market commentators inaccurately assessing the effect of IFRIC 14. Therefore, the IFRIC recently clarified the following:

- IFRIC 14 does not change the rules on funding as such rules are set by regulators and pension fund trustees, and it is for management to decide how it satisfies those requirements.
- The Interpretation does not affect an entity's ability to get a refund, which is determined by the statutory

requirements in the jurisdiction in question and the scheme rules.

- An additional liability is recognized only if both of the following conditions exist:
 - ♦ If the entity has a statutory or contractual obligation to pay additional amounts to the plan; and
 - ♦ If the entity's ability to recover those amounts in the future by refund or otherwise is restricted.
- IFRIC 14 provides a clearer interpretation of the availability of a surplus than IAS 19. Under IAS 19 some have argued that a surplus is not available to a plan sponsor unless it is immediately realizable at the balance sheet date. IFRIC 14 states that the employer only needs to have an unconditional right to use the surplus at some point during the life of the plan or on its wind up in order for a surplus to be recognized.

The Interpretation is mandatory for annual periods beginning on or after January 1, 2008. Earlier application is permitted. A Q&A for applying IFRIC 14 is available at <http://www.iasb.org/NR/rdonlyres/3453435B-FBBD-4EAB-B638-9C5FD13FFC91/0/IFRIC14QAs.pdf>. However, whether and how IFRIC 14 applies to a specific entity will depend on the exact terms of the pension plan and the regulatory requirements in the relevant jurisdiction, and should be determined by reference to IFRIC 14 itself.

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