

SEC

SEC Staff Observations on Executive Compensation Disclosure

Over the past several years, executive compensation has been the subject of much debate, and there is no reason to believe that the scrutiny of executive compensation practices at public companies will subside anytime soon. Compensation Discussion and Analysis (CD&A) continues to be essential in providing investors with meaningful insight into the compensation policies and decisions of the companies in which they choose to invest. In a recent speech, Shelley Parratt, Deputy Director – SEC Division of Corporation Finance, shared her thoughts on the current state of registrants' executive compensation disclosure under the SEC's rules and talked about what the SEC expects to see in the 2010 proxy season.

The SEC expects registrants and their advisors to understand its rules and apply them thoroughly. Ms. Parratt stated, "...any company that waits until it receives staff comments to comply with the disclosure requirements should be prepared to amend its filings if it does not materially comply with the rules." She expects registrants to focus on making their disclosures more meaningful and understandable. Where additional disclosure would be material to an understanding of a company's compensation policies or decisions, a company should provide that disclosure.

In her speech, Ms. Parratt mentioned two specific disclosure topics where companies should focus their attention in the coming year — analysis and performance targets. While many companies have improved their discussions of how and why they made the decisions they did, many companies continue to describe in exhaustive detail the framework in which they made the compensation decision, rather than the decision itself. While the framework may provide context to investors, the CD&A should not be so technical and process-oriented that it obscures the explanation of what the compensation is designed to reward. A company's analysis of its compensation decisions should present shareholders with meaningful insight into its compensation policies and decisions, including the reasons behind them.

When it comes to performance targets and disclosure, a company must first determine whether corporate or individual performance targets are material to its compensation policies and decisions. Where a company determines that certain performance targets are material, then it must specifically — and if applicable, quantitatively — disclose the targets, unless such disclosure would cause it substantial competitive harm. When a company concludes that it may omit a performance target because disclosure would cause it competitive harm, it must disclose with meaningful specificity how difficult or likely it would be for the company or executive to achieve the undisclosed target. The SEC issues more comments on performance targets than any other executive compensation disclosure item.



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It should also be noted that in a recent proposal to enhance proxy disclosure, the SEC proposed to expand CD&A requirements to address how a company's overall compensation policies for its employees may create incentives that can affect the company's overall risk. Ms. Parratt encouraged registrants to start thinking about how to gather the additional information necessary to make the proposed disclosures because the proposed risk disclosure enhancements may well be in place for the coming proxy season.

Ms. Parratt's speech is available in full at <http://www.sec.gov/news/speech/2009/spch110909sp.htm>.

International

New IFRS on Classification and Measurement of Financial Assets

The International Accounting Standards Board (IASB) recently issued a new International Financial Reporting Standard (IFRS) on the classification and measurement of financial assets. Publication of the IFRS represents the completion of the first part of a three-part project to replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*, with a new standard - IFRS 9, *Financial Instruments*. Proposals addressing the second part, the impairment methodology for financial assets, were published for public comment at the beginning of November; while proposals on the third part, hedge accounting, continue to be developed. Further, the IASB has begun the process of giving further consideration to the classification and measurement of financial liabilities, and those final requirements are expected to be issued in 2010.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. Financial assets now are classified in one of two measurement categories, instead of in four classes per IAS 39. The classification approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The category into which the asset is classified determines whether it is measured on an ongoing basis at amortized cost or fair value. The IASB also has reduced the complexity of IAS 39 as follows:

- The complex and rule-based requirements in IAS 39 for embedded derivatives have been eliminated by no longer requiring that embedded derivatives be separated from financial asset host contracts;
- The "tainting rules" that forced entities to reclassify to fair value all instruments in a class that had been classified as held to maturity in the event that one of those instruments is sold have been eliminated; and
- There is a single impairment method for all financial assets not measured at fair value, and impairment reversals are permitted for all assets, eliminating the many different impairment methods used by IAS 39 and its inconsistent requirements on impairment reversal.

Additional disclosures are required by IFRS 9, reflecting the revised classification and measurement guidance. The effective date for mandatory adoption of IFRS 9 is January 1, 2013. Early adoption is permitted including 2009 year-end financial statements.

Hyperinflationary Economies: IFRS vs. U.S. GAAP

This article is the thirty-first in a series of articles that takes our readers on a journey through International Financial Reporting Standards (IFRS) with a special focus on the standards' quintessential feature: they are principles-based. In this article, we provide an overview of some of the most significant differences between

IFRS and U.S. generally accepted accounting principles (GAAP) with regard to hyperinflationary economies. Actual differences in the accounting treatment between the two frameworks depend on specific circumstances.

An entity reporting under IFRS whose functional currency is the currency of a hyperinflationary economy must comply with the requirements of International Accounting Standard (IAS) 29, *Financial Reporting in Hyperinflationary Economies*. Additional guidance is included in IAS 21, *The Effect of Changes in Foreign Exchange Rates*. U.S. GAAP does not have one specific standard designed for hyperinflationary economies only. However, FASB ASC 830, *Foreign Currency Matters*, includes guidance on highly inflationary economies.

Under U.S. GAAP, a highly inflationary economy is one that has cumulative inflation of approximately 100 percent or more over a three-year period. U.S. GAAP points out that the definition of a highly inflationary economy is necessarily an arbitrary decision that requires judgment. However, it also states that if an entity's calculation of the cumulative inflation rate exceeds 100% over three years, the economy "shall be considered highly inflationary in all instances."

IAS 29 does not establish any absolute rate at which hyperinflation is deemed to arise. However, IAS 29 provides a list of characteristics of a hyperinflationary economic environment, which include, but are not limited to, the following:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power.
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.
- Interest rates, wages, and prices are linked to a price index.
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Under U.S. GAAP, financial statements of foreign operations that are in highly inflationary economies must be prepared using the parent company's reporting currency (i.e., the U.S. dollar in the case of a U.S. parent) as if it were the functional currency. This requirement is applied prospectively. On the other hand, IAS 29 requires the entity to restate by applying a general price index that reflects the general purchasing power. In most countries there is a recognized general price index, normally produced by the government, which entities will follow. This requirement is applied retrospectively. In addition, IAS 21 requires that amounts in the financial statements of the hyperinflationary operation first be restated for the effects of changing prices in accordance with IAS 29 and then subsequently translated to the reporting currency.

2009 Effective Date Reminder

This Effective Date Reminder lists only those pronouncements issued as of November 1, 2009, which became effective on or after January 1, 2009 for most entities or have not yet become effective for all entities as of November 1, 2009.

Financial Accounting Standards Board (FASB)

ASU No. 2009-01, *Topic 105 – Generally Accepted Accounting Principles – amendments based on Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*

This ASU reflected the issuance of SFAS No. 168, which is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

ASU No. 2009-02, *Omnibus Update – Amendments to Various Topics for Technical Corrections*

This omnibus ASU detailed amendments to various topics for technical corrections and was effective upon issuance.

ASU No. 2009-03, *SEC Update – Amendments to Various Topics Containing SEC Staff Accounting Bulletins*

This ASU updated cross-references to Codification text and was effective upon issuance.

ASU No. 2009-04, *Accounting for Redeemable Equity Instruments – Amendment to Section 480-10-S99*

This ASU represents an update to ASC 480-10-S99, Distinguishing Liabilities from Equity, per EITF Topic D-98. The ASU was effective upon issuance.

ASU No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820) – Measuring Liabilities at Fair Value*

This ASU amends ASC 820-10 to provide guidance on the fair value measurement of liabilities within the scope of Topic 820. The ASU is effective for the first reporting period (including interim periods) beginning after August 28, 2009.

ASU No. 2009-06, *Income Taxes (Topic 740) – Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*

This ASU includes guidance on the application of FIN 48 by pass-through entities and tax-exempt not-for-profit entities, and eliminates certain disclosures for nonpublic entities. For entities that are currently applying the standards for accounting for uncertainty in income taxes, the guidance and disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009. For those entities that have deferred the application of accounting for uncertainty in income taxes, the guidance and disclosure amendments are effective for annual financial statements for years beginning after December 15, 2008.

ASU No. 2009-07, *Accounting for Various Topics – Technical Corrections to SEC Paragraphs*

This ASU represents technical corrections to various FASB Codification Topics containing SEC guidance. The ASU was effective upon issuance.

ASU No. 2009-08, *Earnings Per Share – Amendments to Section 260-10-S99*

This ASU represents technical corrections to ASC 260-10-S99 based on EITF Topics D-53 and D-42. The ASU was effective upon issuance.

ASU No. 2009-09, *Accounting for Investments – Equity Method and Joint Ventures and Accounting for Equity-Based Payments to Non-Employees – Amendments to Sections 323-10-S99 and 505-50-S99*

This ASU represents a correction to ASC 323-10-S99-4 and an addition to ASC 505-50-S99. The ASU was effective upon issuance.

ASU No. 2009-10, *Financial Services – Broker and Dealers: Investments – Other – Amendment to Subtopic 940-325*

This ASU codifies in ASC 940-325-S99-1 an Observer comment from EITF Issue No. 02-3. The ASU was effective upon issuance.

ASU No. 2009-11, *Extractive Activities – Oil and Gas – Amendment to Section 932-10-S99*

This ASU represents a technical correction to ASC 932-10-S99-5. The ASU was effective upon issuance.

ASU No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820) – Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*

This ASU amends ASC 820 to provide guidance on using the net asset value per share provided by the investee to estimate the fair value of an alternative investment. The amendments in the ASU are effective for interim and annual periods ending after December 15, 2009.

ASU No. 2009-13, *Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force*

This ASU addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. The ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010.

ASU No. 2009-14, *Software (Topic 985) – Certain Revenue Arrangements That Include Software Elements – a consensus of the FASB Emerging Issues Task Force*

The amendments in this ASU change the accounting model for revenue arrangements that include both tangible products and software elements. The ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010.

ASU No. 2009-15, *Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing*

This ASU concludes that at the date of issuance, a share-lending arrangement entered into on an entity's own shares in contemplation of a convertible debt offering or other financing is required to be measured at fair value and recognized as issuance cost in the financial statements of the entity. The ASU is effective for fiscal years beginning on or after December 15, 2009, and interim periods within those fiscal years for arrangements outstanding as of the beginning of those fiscal years. The ASU is effective for interim or annual periods beginning on or after June 15, 2009, for share-lending arrangements entered into in those periods.

SFAS No. 141 (revised 2007), *Business Combinations* (as codified in ASC 805)

The business combination Statement fundamentally changes the manner in which an entity will account for a business combination by including, along with other significant changes, a requirement that an acquirer recognize virtually all assets acquired and liabilities assumed at 100% of their fair values, even in a partial acquisition. This Statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

SFAS No. 157, *Fair Value Measurements* (as codified in ASC 820)

The guidance on fair value measurements defines fair value, establishes a framework for measuring fair value where required or permitted in GAAP, and expands disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. However, FSP FAS 157-2, Effective Date of FASB Statement No. 157, deferred the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The FSP does not apply to entities that have issued financial statements that included the adoption of SFAS No. 157 in its entirety.

SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* (as codified in ASC 810)

This Statement on consolidated financial statements changes the accounting for noncontrolling (minority) interests to, among other things, require noncontrolling interest be clearly identified and separately reported from parent's equity on its consolidated balance sheet, and net income attributable to the parent and the noncontrolling interest be clearly identified and presented on the face of the consolidated income statement. This Statement is effective for annual periods beginning on or after December 15, 2008.

SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (as codified in ASC 815)

SFAS No. 161 requires expanded qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and credit-risk-related contingent features in derivative agreements. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

SFAS No. 163, *Accounting for Financial Guarantee Insurance Contracts – an interpretation of FASB Statement No. 60* (as codified in ASC 944)

SFAS No. 163 changes recognition of premium revenue and claims liabilities for insurance enterprises as it relates to financial guarantee insurance contracts and requires expanded disclosures about financial guarantee insurance contracts. This Statement is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years, except for disclosures about the insurance enterprise's risk-management activities. Disclosures about the insurance enterprise's risk-management activities are effective for the first period (including interim periods) beginning after May 23, 2008.

SFAS No. 164, *Not-for-Profit Entities: Mergers and Acquisitions – Including an amendment of FASB Statement No. 142*

SFAS No. 164 establishes principles and requirements for how a not-for-profit entity accounts for and discloses mergers and acquisitions. It also amends SFAS No. 142, *Goodwill and Other Intangible Assets*, to make it fully applicable to not-for-profit entities. SFAS No. 164 is effective for mergers occurring on or after December 15, 2009, and acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009.

SFAS No. 165, *Subsequent Events* (as codified in ASC 855)

SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This Statement is effective for interim and annual periods ending after June 15, 2009.

SFAS No. 166, *Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140*

SFAS No. 166 eliminates the concept of a “qualifying special-purpose entity” (QSPE) from SFAS No. 140 and removes the exception from applying FIN 46(R) to QSPEs. This Statement is effective at the beginning of a reporting entity’s first fiscal year that begins after November 15, 2009.

SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)*

SFAS No. 167 amends FIN 46(R) to require an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a variable interest entity. This Statement is effective at the beginning of a company’s first fiscal year that begins after November 15, 2009.

SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162* (as codified in ASC 105)

Per SFAS No. 168, the FASB Accounting Standards Codification becomes the single source of authoritative U.S. accounting and reporting standards to be applied by nongovernmental entities, except for rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of authoritative GAAP for SEC registrants. This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (as codified in ASC 740)

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation was effective for fiscal years beginning after December 15, 2006 for public entities. FSP FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, deferred the effective date of FIN 48 for nonpublic enterprises so that it is effective for annual periods beginning after December 15, 2008 if they had not previously issued a full set of U.S. GAAP annual financial statements incorporating the recognition, measurement, and disclosure requirements of FIN 48.

FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (as codified in ASC 320)

This FSP provides additional guidance in accounting for and presenting impairment losses on securities. The FSP is effective for interim and annual periods ending after June 15, 2009.

FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (as codified in ASC 715)

FSP FAS 132(R)-1 provides guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The disclosures about plan assets required by the FSP are to be provided for fiscal years ending after December 15, 2009, with earlier application permitted.

FSP FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* (as codified in ASC 860)

FSP FAS 140-3 addresses when a repurchase financing transaction can be considered a separate transaction from the original transfer. This FSP is effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years.

FSP FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* (as codified in ASC 805)

FSP FAS 141(R)-1 requires assets acquired and liabilities assumed in a business combination that arise from contingencies to be recognized at fair value at the acquisition date if the acquisition-date fair value can be determined during the measurement period. The FSP also amends the subsequent measurement and accounting guidance and the disclosure requirements for assets and liabilities arising from contingencies in a business combination. The FSP is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* (as codified in ASC 350)

FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

FSP FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13* (as codified in ASC 820)

FSP FAS 157-1 amends SFAS No. 157 to exclude SFAS No. 13, *Accounting for Leases*, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. This FSP is effective upon the initial adoption of SFAS No. 157.

FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (as codified in ASC 820)

FSP FAS 157-4 provides additional authoritative application guidance to assist in determining fair values when the volume and level of activity for the asset or liability have significantly decreased. This FSP is effective for interim and annual periods ending after June 15, 2009.

FSP FIN 48-1, *Definition of “Settlement” in FASB Interpretation No. 48* (as codified in ASC 740)

FSP FIN 48-1 provides guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. This FSP is effective upon the initial adoption of FIN 48.

FSP APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* (as codified in ASC 470 and 825)

FSP APB 14-1 requires that issuers of convertible debt instruments that may be settled in cash upon conversion separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is subsequently recognized. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

FSP EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20* (as codified in ASC 325)

FSP EITF 99-20-1 aligns the impairment guidance in Issue No. 99-20, Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets, with that of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. This FSP is effective for interim and annual reporting periods ending after December 15, 2008.

FSP EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (as codified in ASC 260)

This FSP clarifies that unvested awards containing nonforfeitable rights to dividends (or dividend equivalents) are participating securities and should be included in earnings per share pursuant to the two-class method. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years.

FSP SOP 94-3-1 and AAG HCO-1, *Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations* (as codified in ASC 958)

This FSP makes several changes to the guidance on consolidation and the equity method of accounting in SOP 94-3, Reporting of Related Entities by Not-for-Profit Organizations, and the AICPA Audit and Accounting Guide, Health Care Organizations. This FSP is effective for fiscal years beginning after June 15, 2008, and for interim periods therein.

Emerging Issues Task Force (EITF)

Note: Beginning with the September 2009 EITF meeting, consensuses are no longer issued in the form of abstracts, but rather as Accounting Standards Updates (ASUs), which are issued by the FASB and discussed above.

EITF Issue No. 07-1, *Accounting for Collaborative Arrangements* (as codified in ASC 808)

Issue No. 07-1 addresses indicators of a collaborative arrangement, classification of transactions with third parties, and classification of payments between participants. This consensus is effective in the first fiscal year beginning after December 15, 2008, and interim periods within those fiscal years.

EITF Issue No. 07-4, *Application of the Two-Class Method under FASB Statement No. 128, "Earnings per Share," to Master Limited Partnerships* (as codified in ASC 260)

Issue No. 07-4 concludes that incentive distribution rights are to be treated as participating securities for purposes of computing earnings per unit in the period the general partner becomes contractually obligated to make the distribution. This consensus is effective in the first fiscal year beginning after December 15, 2008, including the interim periods within that fiscal year.

EITF Issue No. 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* (as codified in ASC 815)

Issue No. 07-5 provides guidance regarding whether an equity-linked financial instrument (or embedded derivative) is indexed to an entity's own stock and, therefore, meets the exception to not be accounted for as a derivative. This consensus is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

EITF Issue No. 08-3, *Accounting by Lessees for Maintenance Deposits* (as codified in ASC 840)

Issue No. 08-3 concludes that maintenance deposits paid by a lessee, under an arrangement accounted for as a lease that are refunded only if the lessee performs specified maintenance activities, should be accounted for as a deposit asset. This consensus is effective for financial statements issued for fiscal years beginning after December 15, 2008, including interim periods within those fiscal years.

EITF Issue No. 08-5, *Issuer's Accounting for Liabilities Measured at Fair Value with a Third-Party Credit Enhancement* (as codified in ASC 820)

Issue No. 08-5 concludes that the issuer of a liability with a third-party credit enhancement that is inseparable from the liability should not include the effect of the credit enhancement in the fair value measurement of the liability. The consensus is effective on a prospective basis in the first reporting period beginning on or after December 15, 2008.

EITF Issue No. 08-6, *Equity Method Investment Accounting Considerations* (as codified in ASC 323)

Issue No. 08-6 addresses certain equity-method investment accounting considerations. The consensus is effective in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years.

EITF Issue No. 08-7, *Accounting for Defensive Intangible Assets* (as codified in ASC 350)

Issue No. 08-7 concludes that a defensive intangible asset should be accounted for as a separate unit of accounting and should be assigned a useful life that reflects the entity's consumption of the expected benefits related to the asset. The consensus is effective for intangible assets acquired on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

EITF Issue No. 08-8, *Accounting for an Instrument (or an Embedded Feature) with a Settlement Amount That Is Based on the Stock of an Entity's Consolidated Subsidiary* (as codified in ASC 815)

Issue No. 08-8 concludes that, provided that the subsidiary is a substantive entity, a freestanding financial instrument (or an embedded feature) within the scope of this Issue is not precluded from being considered indexed to the entity's own stock in the consolidated financial statements of the parent. The consensus is effective for fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years.

AICPA

SOP 09-1, *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data*

This SOP provides guidance on performing agreed-upon procedures engagements that address the completeness, accuracy, or consistency of an entity's XBRL-tagged data of information as of a specified date and for a specified period. The SOP was effective April 28, 2009.

AICPA Auditing Standards Board

SAS No. 115, *Communicating Internal Control Related Matters Identified in an Audit*

SAS No. 115 conforms the definitions of the various kinds of deficiencies in internal control and the related guidance for evaluating such deficiencies with the definitions and guidance in SSAE No. 15, An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements. SAS No. 15 is effective for audits of financial statements for periods ending on or after December 15, 2009.

SAS No. 116, *Interim Financial Information*

SAS No. 116 amends AU Section 722, Interim Financial Information, to accommodate reviews of interim financial information of nonissuers, including companies offering securities pursuant to SEC Rule 144A or participating in private equity exchanges. This Statement is effective for reviews of interim financial information for interim periods beginning after December 15, 2009.

AICPA Accounting and Review Services Committee

SSARS No. 17, *Omnibus Statement on Standards for Accounting and Review Services – 2008*

This omnibus Statement is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2008.

SSARS No. 18, *Applicability of Statements on Standards for Accounting and Review Services*

SSARS No. 18 revises the applicability of the SSARSs so that SSARSs do not apply when the provisions of SAS No. 116 apply. This Statement is effective for compilations and reviews of financial statements for periods beginning after December 15, 2009.

Government Accountability Office

Interim Guidance on Reporting Deficiencies in Internal Control for GAGAS Financial Audits and Attestation Engagements (November 2008)

This interim guidance facilitates the reporting of internal control deficiencies identified in engagements performed under GAGAS and SAS No. 115, Communicating Internal Control Related Matters Identified in an Audit, or SSAE No. 15, An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements. The interim guidance is effective concurrent with the implementation of SAS No. 115 and/or SSAE No. 15.

Governmental Accounting Standards Board (GASB)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Governments with total annual revenues in the first fiscal year ending after June 15, 1999 of:

- \$100 million or more were required to implement this Statement in financial statements for periods beginning after December 15, 2006.
- \$10 million or more but less than \$100 million were required to implement this Statement in financial statements for periods beginning after December 15, 2007.
- Less than \$10 million are required to implement this Statement in financial statements for periods beginning after December 15, 2008.

All component units are required to implement this Statement no later than the same year as the primary government.

GASB Statement No. 47, *Accounting for Termination Benefits*

Statement No. 47 establishes accounting standards for termination benefits. This Statement was effective for financial statements for periods beginning after June 15, 2005. However, for termination benefits that affect defined benefit postemployment benefits other than pensions, governments should implement Statement No. 47 simultaneously with Statement No. 45.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*

Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. This Statement is effective for financial statements for periods beginning after June 15, 2009.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*

Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. This Statement is effective for financial statements for periods beginning after June 15, 2008.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*

Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This Statement is effective for financial statements for reporting periods beginning after June 15, 2009.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

Statement No. 54 is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. This Statement is effective for financial statements for periods beginning after June 15, 2010.

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Statement No. 55 incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. This Statement was effective upon issuance.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*.

Statement No. 56 incorporates accounting and financial reporting guidance previously contained in the AICPA auditing literature into the GASB's accounting and financial reporting literature for state and local governments. This Statement was effective upon issuance.

GASB Technical Bulletin No. 2006-1, **Accounting and Financial Reporting by Employers and OPEB Plans for Payments From the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D**

This Technical Bulletin clarifies the reporting of payments that an employer or a defined benefit other postemployment benefit plan receives from the federal government under Medicare Part D. The Technical Bulletin was effective on June 30, 2006, except for portions of answers pertaining specifically to measurement, recognition, or required supplementary information requirements of Statement No. 43, or Statement No. 45. Those provisions should be applied simultaneously with the implementation of Statement No. 43 or Statement No. 45.

GASB Technical Bulletin No. 2008-1, *Determining the Annual Required Contribution for Postemployment Benefits*

This Technical Bulletin clarifies that governments may base the annual required contribution adjustment on the actual amount when it is known. With regard to pensions, the provisions of the Technical Bulletin were effective for financial statements for periods ending after December 15, 2008. With regard to OPEB, the provisions of the Technical Bulletin are effective for financial statements for periods ending after December 15, 2008, or simultaneously with the initial implementation of Statement No. 45, whichever is later.

U.S. Securities and Exchange Commission

Release No. 33-8934, *Final Rule: Internal Control Over Financial Reporting in Exchange Act Periodic Reports of Non-accelerated Filers*

Under this Final Rule, the auditor's attestation report on internal control over financial reporting is not required until a non-accelerated filer files an annual report for a fiscal year ending on or after June 15, 2010. A non-accelerated filer is required to provide management's report on internal control over financial reporting when it files an annual report for a fiscal year ending on or after December 15, 2007.

Release No. 33-9002, *Interactive Data to Improve Financial Reporting*

This Final Rule requires companies to submit financial statements in XBRL (extensible business reporting language) format with their SEC filings on a phased-in schedule as follows:

- The largest companies (with a public float above \$5 billion) that file using U.S. GAAP are required to provide interactive data reports starting with their first quarterly report for fiscal periods ending on or after June 15, 2009.

- All other domestic and foreign large accelerated filers using U.S. GAAP are required to provide interactive data reports starting with their first quarterly report for fiscal periods ending on or after June 15, 2010.
- All remaining filers using U.S. GAAP, including smaller reporting companies, and all foreign private issuers that prepare financial statements in accordance with IFRS are required to provide interactive data reports starting with their first quarterly report for fiscal periods ending on or after June 15, 2011.

Public Company Accounting Oversight Board

AS No. 7, *Engagement Quality Review*

AS 7 requires an engagement quality review for all audit engagements, and engagements to review interim financial information, conducted pursuant to PCAOB standards. If adopted by the SEC, this Standard will become effective for audits and interim reviews for fiscal years beginning on or after December 15, 2009.

International Accounting Standards Board

Revised IAS 1, *Presentation of Financial Statements*

IAS 1, which prescribes the basis for presentation of general purpose financial statements, was amended to add new disclosure requirements for puttable instruments and obligations arising on liquidation. This revised Standard is effective for annual periods beginning on or after January 1, 2009.

Revised IAS 23, *Borrowing Costs*

IAS 23, *Borrowing Costs*, incorporates amendments to require capitalization of borrowing costs. This revised Standard is effective for annual periods beginning on or after January 1, 2009.

Revised IAS 27, *Consolidated and Separate Financial Statements*

Revised IAS 27 focuses on changes in control as a significant economic event by introducing requirements to remeasure interests to fair value at the time when control is achieved or lost, and recognizing directly in equity the impact of all transactions between controlling and non-controlling shareholders not involving a loss of control. This revised Standard is effective for annual periods beginning on or after July 1, 2009, although two May 2008 amendments are effective for annual periods beginning on or after January 1, 2009.

Revised IAS 32, *Financial Instruments: Presentation*

IAS 32 has been amended with respect to balance sheet classification for puttable instruments and obligations arising on liquidation. This revision is effective for annual periods beginning on or after January 1, 2009. IAS 32 also has been amended to clarify the classification of instruments that give the holders the right to acquire an entity's own equity instruments at a fixed price (rights issue) when that price is stated in a currency other than the entity's functional currency. This amendment is effective for annual periods beginning on or after February 1, 2010, with earlier application permitted.

Revised IAS 39, *Financial Instruments: Recognition and Measurement*

IAS 39 has been amended for eligible hedged items and for reclassifications of financial assets out of the fair-value-through-profit-or-loss category and out of the available-for-sale category. This revised Standard

is effective for annual periods beginning on or after July 1, 2009. Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 further amended IAS 39 to clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment. The amendments set out in Embedded Derivatives are required to be applied for annual periods ending on or after June 30, 2009.

Revised IFRS 1, *First-time Adoption of International Financial Reporting Standards*

Certain amendments to IFRS 1 allows first-time adopters of IFRS to use a “deemed cost” of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities, and associates in the separate financial statements. These amendments are effective for annual periods beginning on or after July 1, 2009. Other amendments to IFRS 1 exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, Determining whether an Arrangement contains a Lease, when the application of their national accounting requirements produced the same result. These amendments are effective for annual periods beginning January 1, 2010.

Revised IFRS 2, *Share-based Payment*

Certain amendments to IFRS 2 clarify the terms vesting conditions and cancellations, and such amendments are effective for annual periods beginning on or after January 1, 2009. The IASB also issued amendments to IFRS 2 that clarify the accounting for group cash-settled share-based payment transactions. These amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2010.

Revised IFRS 3, *Business Combinations*

IFRS 3 was amended to, among other things, place a greater emphasis on the use of fair value and focus on what is given to the vendor as consideration, rather than what is spent to achieve the acquisition. This revised Standard is effective for annual periods beginning on or after July 1, 2009.

Revised IFRS 7, *Financial Instruments: Disclosures*

Revised IFRS 7 introduces a three-level hierarchy for fair value measurement disclosures and requires entities to provide additional disclosures about the relative reliability of fair value measurements. The revised Standard is effective for annual periods beginning on or after January 1, 2009.

IFRS 8, *Operating Segments*

IFRS 8 covers the accounting and reporting for operating segments. IFRS 8 applies to the annual financial statements for periods beginning on or after January 1, 2009.

Revised IFRIC 9, *Reassessment of Embedded Derivatives*

Embedded Derivatives: Amendments to IFRIC 9 and IAS 39 amended IFRIC 9 to clarify the accounting treatment of embedded derivatives for entities that make use of the IAS 39 reclassification amendment. The amendments set out in Embedded Derivatives are required to be applied for annual periods ending on or after June 30, 2009.

IFRIC 13, *Customer Loyalty Programmes*

IFRIC 13 addresses accounting by entities that grant loyalty award credits (such as “points” or travel miles) to customers who buy other goods or services. Entities must apply IFRIC 13 for annual periods beginning on or after July 1, 2008.

IFRIC 15, *Agreements for the Construction of Real Estate*

IFRIC 15 standardizes accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units, such as apartments or houses, before construction is complete. Entities must apply IFRIC 15 for annual periods beginning on or after January 1, 2009.

IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 clarifies three main issues relating to hedges of a net investment in a foreign operation. Entities must apply IFRIC 16 for annual periods beginning on or after October 1, 2008.

IFRIC 17, *Distributions of Non-cash Assets to Owners*

IFRIC 17 addresses how an entity should measure distributions of assets other than cash when it pays dividends to its owners. Entities must apply IFRIC 17 for annual periods beginning on or after July 1, 2009.

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