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November 7-10, 2010 | San Antonio

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Accounting & Financial Reporting Update

November 2010

BDO

AFP® Annual Conference

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Learning Objectives

This course is designed to build awareness and understanding of recently released or pending technical guidance including:

- New Accounting Standards
- Proposed Accounting Standards
- IFRS
- Private Company Accounting Standards
- Regulatory
- Q&A


IRS
FASB
1120
AICPA
1040
Label
DEBITS
CREDITS

List of Abbreviations Used

ED*	–	Exposure Draft
ASU*	–	Accounting Standards Update
FI	–	Financial Instruments
NI	–	Net Income
OCI	–	Other Comprehensive Income
DTA	–	Deferred Tax Asset
FV	–	Fair Value
PV	–	Present Value
FASB	–	US Financial Accounting Standards Board
IASB	–	International Accounting Standards Board
IFRS	–	International Financial Reporting Standards

*ED and proposed ASU have sometimes been used interchangeably

List of Abbreviations Used (cont.)

VIE	–	Variable Interest Entity
DC	–	Defined Contribution
JV	–	Joint Venture
NCI	–	Non-Controlling Interest
B/S	–	Balance Sheet
I/S	–	Income Statement
F/S	–	Financial Statement
SOCF	–	Statement of Cash Flow
OTTI	–	Other Than Temporary Impairment
KPI	–	Key Performance Indicator
MLTN	–	More Likely Than Not
PCAOB	–	Public Company Accounting Oversight Board
XBRL	–	eXtensible Business Reporting Language

New Accounting Standards

Accounting Standards Codification – "Refresher"

- **Effective July 1, 2009**
- **90 Accounting Topics**
- **Codification Topical Structure**
  - **XXX-YY-ZZ-PP (Topic, Subtopic, Section, Paragraph)**
  - **E.g., ASC 718 = Stock Compensation (p/k/a FAS 123)**
    ASC 740 = Income Taxes (p/k/a FAS 109)
    ASC 805 = Business Combinations (p/k/a FAS 141)
    ASC 815 = Derivatives (p/k/a FAS 133)
    ASC 820 = Fair Value Measurements (p/k/a FAS 157)
- ***"Does <u>not</u> change GAAP, simply organizes it."***
- **Accounting Standard Updates ("ASU's")**
  - **2009 – 17 ASU's issued (during 7/1/09-12/31/09)**
  - **2010 – 26 ASU'S issued to date**

New Accounting Standards

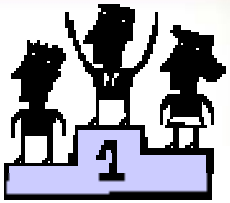
Nov/Dec 2009

- ASU 2009-17 – Variable Interest Entities (FAS 167)
- ASU 2009-16 – Accounting for Transfers of Financial Assets (FAS 166)

Q1 2010

- ASU 2010-01 - Shareholder Distributions w/Components of Stock & Cash
- ASU 2010-02 – Accounting/Reporting for Decreases in Ownership of Subsidiary
- ASU 2010-03 – Oil & Gas Reserve Estimation and Disclosures
- ASU 2010-04 – Various SEC Technical Corrections/Updates (SEC Update)
- ASU 2010-05 – Escrowed Share Arrangements (SEC Update)
- ASU 2010-06 – Improving Disclosures about Fair Value Measurements
- ASU 2010-07 – Not-for-Profit Entities: Mergers & Acquisitions (FAS 164)
- ASU 2010-08 – Technical Corrections to Various Topics
- ASU 2010-09 - Amendments to Subsequent Events Disclosures for SEC Filers
- ASU 2010-10 – VIE Amendments for Certain Investment Funds
- ASU 2010-11 – Scope Exception Related to Embedded Credit Derivatives

New Accounting Standards (cont.)



Q2 2010

- ASU 2010-12 – Tax Effects of the 2010 Health Care Reform Acts (SEC Update)
- ASU 2010-13 – Effect of Denominating the Exercise Price of a Share-Based Award in the Currency of its Primary Stock Trading Market
- ASU 2010-14 – Amendments to Oil & Gas Extractive Accounting (SEC Update)
- ASU 2010-15 – Investments Held through Separate Accounts for Insurance Co's
- ASU 2010-16 – Accruals for Casino Jackpot Liabilities
- ASU 2010-17 – Milestone Method of Revenue Recognition
- ASU 2010-18 – Effect of a Loan Modification When the Loan Is Part of a Pool
- ASU 2010-19 – Multiple Foreign Currency Exchange Rates (SEC Update)

Q3 2010

- ASU 2010-20 – Disclosures about the Credit Quality of Financing Receivables
- ASU 2010-21 – Various SEC Technical Amendments (SEC Update)
- ASU 2010-22 – Various SEC Technical Corrections (SEC Update)
- ASU 2010-23 – Measuring Charity Care for Disclosure – Health Care Entities
- ASU 2010–24 – Presentation of Insurance Claims & Recoveries – H/C Entities
- ASU 2010-25 – Reporting Loans to Participants by DC Pension Plans

New Accounting Standards (cont.)

October 2010

- **ASU 2010-26 – Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts**

ASU 2010-02, Consolidation (Topic 810): *Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*

- Scope applies to:
  - a subsidiary or group of assets that's a business
  - a subsidiary transferred to an equity method investee or JV
  - a group of assets exchanged for a NCI in an entity
- Scope does <u>not</u> apply to:
  - sales of in substance real estate
  - conveyances of oil and gas mineral rights
- Expands existing disclosure and adds several new ones.
  - Valuation techniques used to measure the FV of any retained investment
  - Nature of any continuing involvement
  - Related party involvement
- Effective upon the adoption of FAS 160 (generally speaking 1/1/10).

ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): *Improving Disclosures about Fair Value Measurements*

- Disaggregated disclosures for each "class" of assets and liabilities.
  - A class is often a lower level than a B/S line item.
- Requires two new disclosures:
  - **Transfers in and out of Levels 1 and 2:**
    - ✓ Disclose on a gross basis
    - ✓ Disclose the reasons
  - **Activity in Level 3 fair value measurements:**
    - ✓ Disclose gross the information about purchases, sales, issuances, and settlements
    - ✓ Disclose gross any significant transfers in/out of Level 3.
- Disclose the valuation techniques and inputs
  - Level 2 and Level 3 FV measurements
  - Changes in valuation techniques and related reasons
- Effective for periods beginning after 12/15/2009.
  - Level 3 exception (1-year deferral)

ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): *Improving Disclosures about Fair Value Measurements*

Example - Disaggregation by Class	12/31/XX	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Trading securities :				
Equity securities - real estate industry	$ 90	$ 70	$ 20	
Equity securities - oil & gas industry	50	50		
Equity securities - other	20	20		
Total trading securities	$ 160	$ 140	$ 20	
Available-for-sale debt securities:				
Residential mortgage-backed securities	$ 150		$ 25	$ 125
Commerical mortgage-backed securities	50			50
Corporate bonds	90	10	80	
Total available-for-sale debt securities	$ 290	$ 10	$ 105	$ 175
Available-for-sale equity securities:				
Financial services industry	$ 150	$ 150		
Healthcare industry	110	110		
Other	20	20		
Total available-for-sale equity securities	$ 280	$ 280		
Derivatives:				
Interest rate contracts	$ 60		$ 60	
Foreign exchange contracts	40		40	
Total derivatives	$ 100		$ 100	
Private equity investments	$ 25			$ 25
Total	$ 855	$ 430	$ 225	$ 200

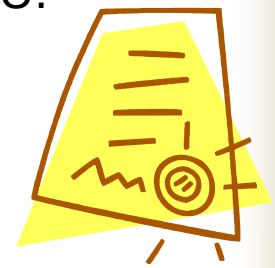
ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820): *Improving Disclosures about Fair Value Measurements*

Example - Level 3 Roll-forward	Residential Mortgage-Backed Securities		Commerical Mortgage-Backed Securities	Private Equity	Total
Beginning balance	$ 100		$ 40	$ 20	$ 160
Transfers into Level 3	60	(a)			60
Transfers out of Level 3					
Total gain or losses:	(5)			5	-
Included in earnings	(20)		(10)		(30)
Included in OCI					
Purchases, issuances, sales & settlements:					
Purchases			20		20
Issuances					
Sales	(10)				(10)
Settlements					
Ending balance	$ 125		$ 50	$ 25	$ 200

(a) Transferred from Level 2 to Level 3 because of a lack of observable market data due to decrease in market activity for these securities.

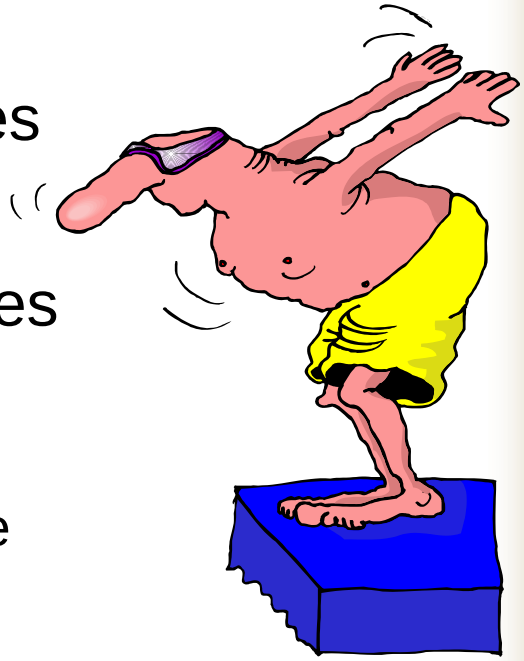
ASU 2010-11, Derivatives and Hedging (Topic 815): *Scope Exception Related to Embedded Credit Derivatives*

- Amends and clarifies guidance on how to evaluate credit derivatives embedded in beneficial interests in securitized financial assets.
- Addresses the scope exception in ASC 815-15-15-8: embedded credit derivatives in financial instruments that transfer credit risk only by subordinating one financial instrument to another (e.g., subordination between tranches of a securitization) do not require bifurcation.
- Allows entities to elect the fair value option (FVO) for any beneficial interest in securitized financial assets upon adoption of this ASU.
- Effective for interim periods beginning after 6/15/2010. Early application permitted for the first period after 3/5/2010.



ASU 2010-18 Receivables (Topic 310):
Effect of a Loan Modification When the Loan is Part of a Pool that is Accounted for as a Single Asset

- Affects any entity that acquires loans, accounts for some or all of those loans within “pools”, and subsequently modifies one or more of those loans
- Modifications of loans within a “pool” does not result in the removal of those loans from the pool
  - Even if the modification of the loans would be considered “troubled debt restructuring”
- Entities still need to consider potential impairment of the pool



ASU 2010-20 Receivables (Topic 310): *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*

- **Purpose:** To provide additional information to assist F/S users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses.

- Required to provide disclosures on a disaggregated basis at 2 levels:
  - Portfolio segment
  - Class of financing receivable

ASU 2010-20 Receivables (Topic 310): *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*

- Existing disclosures amended to include disaggregation
  - Roll-forward schedule of the allowance for credit losses
  - Disclose the recorded investment
  - Disclose the nonaccrual status by class
  - Disclose impaired financing receivables by class
- New/additional disclosures disaggregated by class
  - Credit quality indicators
  - Aging of past due financing receivables
  - Troubled debt restructurings
  - Significant purchase and sales (by portfolio segment)
- Effective Date
  - Public entities – period ending on or after 12/15/10
  - Nonpublic entities – periods ending on or after 12/15/11

Proposed Accounting Standards

Proposed Accounting Standards

(a/k/a "Exposure Drafts" or "Proposed ASUs)

- Fair Value Measurement
- Revenue Recognition
- Accounting for Financial Instruments
- Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts
- Statement of Comprehensive Income
- Disclosures about an Employer's Participation in a Multiemployer Plan
- Disclosure of Certain Loss Contingencies
- Disclosures about an Employer's Participation in a Multiemployer Plan
- Leases
- Accounting for Certain Fees Associated with Recently Enacted Health Care Legislation
- Accounting for Legal Costs Associated with Medical Malpractice Claims

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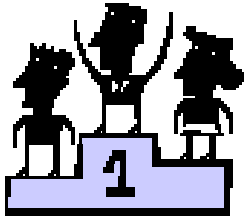

Financial Instruments – Proposed ASU

- Changes guidance for financial instruments (FI) as follows:
  - Classification & Measurement
  - Impairment
  - Hedge accounting

- More FI to be measured at fair value (FV) with changes recognized in net income (N.,
- Comments due 09/30/2010; final standard in 2011
- Not expected to be effective before 2013
- Certain measurement aspects will be deferred for 4 years for nonpublic entities < $1 billion in consolidated assets
- Proposal not unanimous: 2 of 5 board members dissented

Financial Instruments - Scope

Scoped in:

- Debt securities
- Loans
- Non-marketable equity investments not meeting the revised criteria for equity method accounting
- Beneficial interests in securitized financial assets
- Trade receivables and payables
- Own debt liabilities
- Derivatives

Scoped out:

Employee stock compensation, lease assets and liabilities, bifurcated equity component of a hybrid instrument, pension obligations, investments in consolidated subsidiaries, noncontrolling interests in a consolidated subsidiary, a loan commitment related to a line of credit issued under a credit card arrangement, forward contracts accounted per ASC 480-10-35-3, contingent consideration arrangements not based on an observable market or index, voluntary non-reciprocal pledge receivable or payable of nonprofits, many insurance and financial guarantee contracts, certain instruments or transactions that are excluded from the scope of Topic 815 on derivatives

Financial Instruments - Scope

- Eliminates "cost" method (for nonmarketable equity securities)
- Restricts the use of the "equity" method
  - To qualify, an investor must have:
    1) significant influence over the investee ,and
    2) the operations of the investee are related to the investor's operations
  - Eliminates the FV option for equity method eligible investments
- Changes to "hybrid" financial instruments
  - current guidance requires embedded derivative be bifurcated
  - proposed guidance measures the FI in its entirety at FV
    - FV changes are recognized in net income

Financial Instruments – Classification

- Unless a different measurement guidance is specified, FI would be classified as:
  - FV with changes recognized in net income (FV-NI)
  - FV with specified changes recognized in OCI (FV-OCI)
  - Amortized Cost
- FV-OCI or amortized cost election permitted only for eligible FI
  - Initial classification and/or election is irrevocable

Financial Instruments – Measurement "FV-NI"

- FV-NI is the default classification
- Initially measured at FV
- Any difference between FV and transaction price recognized immediately in net income
- All subsequent changes recorded in net income
- Transaction costs and fees immediately expensed

Financial Instruments – Measurement "FV-OCI"

- Initially measured at transaction price
- All subsequent changes in FV recognized in OCI except:
  - interest income or expense
  - amortization of premiums/discounts and related costs
  - realized gains/losses
  - credit losses or reversals thereof
  - hedged item basis adjustments
- Certain transaction costs and fees deferred in OCI
  - recognized in NI as a yield adjustment
- FV-OCI allowed only for a debt instrument that are:
  - "Plain vanilla" debt features
  - Business strategy to hold and collect/pay
  - No embedded derivatives

FI – Measurement "Amortized Cost"

- Initially measured at transaction price
- Can elect for trade receivables/payables
- Can elect debt instruments if:
  - Meets the FV-OCI criteria, and
  - Measuring the financial liability at FV would create or exacerbate a measurement mismatch
- "Measurement mismatch" exists if one of the following:
  - The liability is linked to an asset under amortized cost
  - The liability is part of a segment where <50% of the assets are subsequently measured at FV
  - The liability of a consolidated entity for which <50% of the assets are subsequently measured at FV

Financial Instruments - Impairment

- Single impairment approach
  - For all loans and other FI's not classified as FV-NI
  - Replaces existing OTTI guidance for debt securities
- Credit impairment recognized in NI when not expected to collect the contractual cash flows expected at asset origination or acquisition
  - Consider past events & current economic conditions
  - Should not consider future expectations
  - Should not apply probability threshold
  - Assess on an "individual" and/or "pool" basis
  - Recognize impairment in the period when estimated
  - Reverse impairment through net income
- Interest Income = Effective Interest Rate x (Amortized Cost – Allowance for Credit Losses)

Financial Instruments – Hedge Accounting

- Incorporates many proposals of the hedge accounting ED issued in 2008
- Eliminates “short-cut” and “critical-terms” match
- Requires *effectiveness* testing only at inception
  - unless circumstances warrant reassessment
  - qualitative assessment sufficient
  - “reasonably” vs. “highly” effective
- *Ineffectiveness* must be measured <u>each</u> period
- Voluntary de-designation of hedge <u>not</u> permitted

Financial Instruments – AFP Efforts

- AFP issued a comment letter on Exposure draft in September
  - Issues addressed:
    - Loss of the Shortcut and Critical Terms Match Method
    - Proposed Fair Value Measurement of Money Market Funds
    - Holding for contractual cash flows
    - Credit pool and day one losses
    - Reasonable effective defined
    - Calculation of ineffectiveness for cash flow hedges
    - Option hedging
    - De-designations
    - Intercompany hedging

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Financial Instruments – IASB (IFRS)

- IASB project to replace IAS 39 is in 3 phases:
  - Classification and Measurement (finalized via IFRS 9)
  - Impairment
  - Hedge Accounting
- Although a joint project, the FASB ED and IASB so far have "diverged" instead of "converged!" For example:
  - More instruments at FV under the FASB ED vs. IFRS
  - FV-OCI classified FI's under the FASB ED likely classified at amortized cost under IFRS
  - Hybrid liabilities do not require bifurcation under the FASB ED which does under IFRS
  - The credit impairment models are different under the FASB ED and IFRS
  - *See Appendix A for a full comparison of the two sets of guidance*
- FASB and IASB to jointly discuss feedback on both the IASB and FASB ED's an attempt to harmonize and converge.

Comprehensive Income – Proposed ASU

A new Statement of Comprehensive Income to replace the current Income Statement

- Report total comprehensive income and its components in two parts—net income (NI) and other comprehensive income (OCI) in a single continuous statement
- Display each component of NI and OCI and a total for each part
- EPS would still be based on net income
- Reclassifications between NI and OCI to be shown on the face of the statement
- Disclose both NI and OCI attributable to the parent and noncontrolling interest
- Does not provide recognition guidance (i.e., when reclassifications from OCI occur)
- Does not change the components of NI and OCI
- No longer permitted to report OCI in a separate statement of comprehensive income or statement of changes in equity
- Does not change the option to show components of OCI gross vs. net-of-tax

Comprehensive Income – Statement Illustration

Entity
Statement of ~~Income and~~ Comprehensive
Income Year Ended December 31, ~~20X9~~201X

Revenues		$ 140,000
Expenses		(25,000)
Other gains and losses		8,000
Gain on sale of securities		2,000
Income from operations before tax		125,000
Income tax expense		(31,250)
Income before extraordinary item		93,750
Extraordinary item, net of tax		(30,500)
[Net income		63,250]
Other comprehensive income, net of tax:		
Foreign currency translation adjustments [a]		8,000
Unrealized gains on securities: [b]		
Unrealized holding gains arising during period	$13,000	
Less: reclassification adjustment for gains included in net income	(1,500)	11,500
Defined benefit pension plans: [c]		
Prior service cost arising during period	(1,600)	
Net loss arising during period	(1,000)	
Less: amortization of prior service cost included in net periodic pension cost	100	(2,500)
Other comprehensive income		17,000
[Comprehensive income		$ 80,250]

Comprehensive Income – Proposed ASU

- Applies to all entities that report items of OCI
- Comments due by 09/30/10; final standard in Q4 2010
- Expected to be effective at the same time as the proposed ASU on Financial Instruments
- Full retrospective application on adoption, with early adoption permitted
- IASB Comparison
  - Proposed amendments to IAS 1 similar to the FASB's
  - Differences in terminology
  - All items not recycled under IFRS
  - Separate presentation under IFRS of items of OCI that will and will not be reclassified
  - Reclassifications may be shown under IFRS either in the notes or on the face

Disclosure of Loss Contingencies – Proposed ASU

- **Lowers the "threshold" for disclosure…**
  - Loss contingencies that are "reasonably" possible are required to be disclosed
  - Loss contingencies that are "remote" are required to be disclosed *if* the potential impact is severe
- **Disclosure not required for *unasserted* claims, UNLESS considered probable that a material claim will be asserted and it is reasonable possible of an unfavorable outcome**
- **No exemption for disclosures that might be considered prejudicial**
- **Expands the level of disclosures**
- **Comments were due 9/20/10; final standard no earlier than 2011**

Disclosure of Loss Contingencies – AFP Efforts

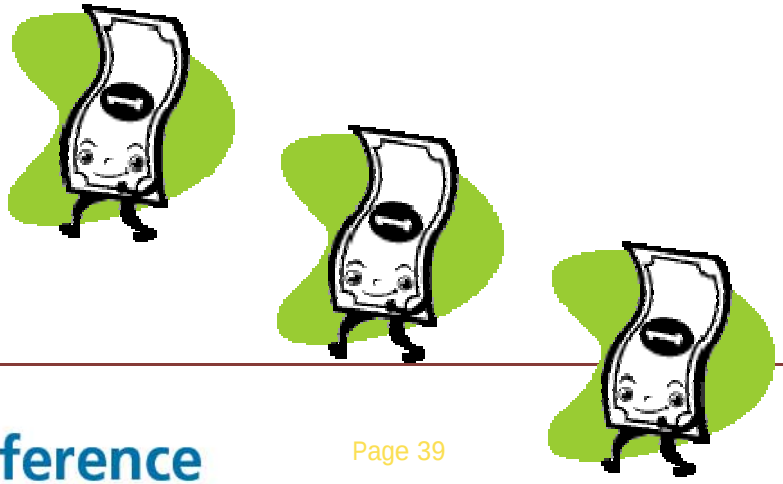
- AFP issued a comment letter to the FASB

- Expressed concern the proposed disclosure of such detailed proprietary information
  - May unintentionally prejudice its position in pending litigation
  - require companies to disclose premature and unsubstantiated information could potentially mislead users of the financial statements and cause an unnecessary, unfavorable and unwarranted market reaction
  - Could have a negative impact small and mid-sized companies
  - Should not be issued prior to conducting an impact study with the legal community

Leases – Proposed ASU

- Released August 2010
- Represents a joint proposal by the FASB and IASB
- Significant changes to existing lease accounting model
- Would impact both lessees and lessors
- Eliminates “off-balance sheet” (i.e., operating) leases
- No grandfathering of existing leases is expected
- Comment period ends December 15, 2010
- Not expected to be effective before 2012

Balance Sheet	
Assets	
Cash	$1,000
A/R	1,500
Inventory	900
Liabilities & Equity	
A/P	$ 700
Accruals	350
Debt	2,000
Equity	350



Leases – Proposed ASU

Scope

- Applies to all entities
- Includes leases of property, plant & equipment
- Excludes:
  - Leases of intangible assets
  - Leases for the exploration/use of natural resources
  - Leases of biological assets
  - Leases of certain investment properties

Most contracts viewed as leases under current GAAP will be subject to the new guidance.

Leases – Proposed ASU

<u>Lessee Accounting Model</u>

- Right-of-use approach
  - Right to use an asset for a specified period of time
  - Gives rise to both an asset and a liability
- Asset = right to use item for lease term
  - Recognized and carried at amortized cost
- Liability = obligation to pay rentals
  - Present value of payments

Leases – Proposed ASU

Lessor Accounting

- Dual model approach
  - Performance obligation, or
  - Derecognition
- Centers on whether significant risks or benefits of the leased asset are retained
  - Exposure to risk/benefits can occur during and after the lease term
    - Credit risk of lessee is not considered as part of this analysis
  - If retained = performance obligation model
  - If transferred = derecognition
- Model determined at lease inception and not reassessed
- Both models require estimates of lease term and contingent rentals

Leases – Proposed ASU

Lessor Accounting (cont.)

- Performance Obligation Approach
  - Used where lessor retains exposure to significant risks/benefits
  - Underlying asset stays on the lessor's books
  - Record a lease receivable (LR) and lease liability (LL)
    - Receivable = Right to receive rental payments
    - Liability = Obligation to permit the lessee to use the asset
  - Discount the LR and LL to their present value using the lessor's rate being charged to the lessee
  - Term = similar to lessee's approach

Leases – Proposed ASU

Lessor Accounting (cont.)

- Derecognition Approach
  - Apply if performance obligation does not apply
  - Record a lease receivable for the right to receive rental payments with the offset to lease income
  - Derecognize a portion of the underlying leased asset with the corresponding charge to lease expense
  - The retained portion of the rights in the leased property would be reclassified as a “residual asset”

Leases – Proposed ASU

Other Provisions

- Short-term leases (12 months or less, with renewals)
- Sale-leasebacks
- Service components
- Disclosures

Leases – AFP's Efforts

- July 7,2009 AFP issues comment letter on FASB's Preliminary Views Paper
- Working with US Chamber of Commerce (COC) and other trade associations of interest to develop common platform
- Second comment letter planned in response to recently issued Exposure Draft
- Issues AFP will address include:
  - Potential breach of loan covenants and the impact of other contractual arrangement
  - Uncertainty could affect future borrowing ability
  - Costs of implementation are unknown
  - Items may be placed on the balance sheet that are not a liability
  - Differing recognition rates regarding assets and liabilities.
  - Rules are not symmetrical between lessor and lessee
- Collaborating with the COC to send a letter to the G20

IFRS Update

- FASB and IASB convergence
  - Global convergence continues to be a key area of focus for the FASB
  - Since October 2009 the FASB and IASB have been meeting monthly
  - In November 2009, the boards affirmed June 2011 as the target date for completing the major convergence projects
    - also described project-specific milestone targets
  - Constituents concern of a “tsunami” of exposure drafts
    - Ability to provide high-quality input
    - Boards extended a few projects into the second half of 2011
    - Plan limits to 4 significant exposure drafts in any quarter

IFRS Update

- FASB and IASB convergence (cont.)
  - U.S. entities will be affected by the changes to U.S. GAAP as a result of the convergence, whether or not the SEC sets a date to convert to IFRS
  - Will seek stakeholder input about effective dates and transition methods
  - Project plan - http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1218220137074
- SEC
  - Confident that modified strategy will not affect SEC work plan to consider international financial reporting standards (IFRS) in 2011

IFRS Update – AFP's Efforts

- AFP continues to monitor IFRS standards on issues impacting members
  - Recently sent comment letter September 7, 2010 concerning defined benefit plans amendment to IAS 19 on behalf of CIEBA members.
  - Previously issued comment letters on fair value measurement
- Advocates accounting standard setting should remain an independent standard setting body free of political influence
  - November 2009 AFP sent a comment letter to Congress opposing legislation that would have compromised their independence

On-Going Projects – Joint FASB/IASB

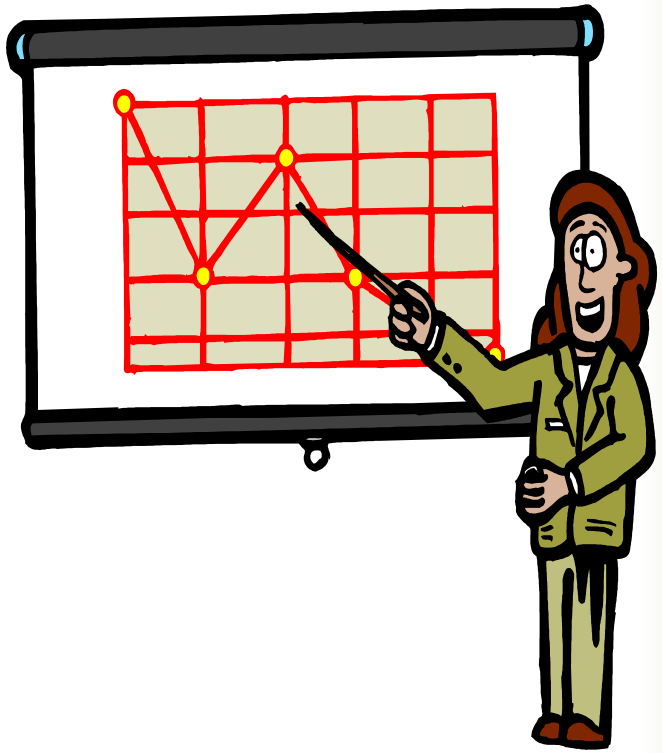
- Reporting Discontinued Operations
- Balance Sheet – Offsetting
- Emissions Trading Schemes
- Accounting for Financial Instruments
- Fair Value Measurement
- Statement of Comprehensive Income
- Consolidations: Policies and Procedures
- Financial Instruments with Characteristics of Equity
- Financial Statement Presentation
- Insurance Contracts
- Revenue Recognition
- Leases
- Financial Instruments: Derecognition (Research)
- Conceptual Framework

Proposed Exposure Draft on Changes to Financial Statement Presentation

- Staff draft issued July 2010 reflects the cumulative, tentative decisions made by the Boards concluding with their joint meeting in April 2010
- Entities should present information in their financial statements based on the following principles:
  - Disaggregation -An entity shall present information in its financial statements in a manner that:
    - The activities the entity engages in are clear
    - The cash flows of the entity are clear
    - The relationships between an asset or a liability and the effects of a change in that asset or liability are faithfully represented across the statements of financial position, comprehensive income, and cash flows.
  - Cohesiveness - An entity shall use the following factors in determining the items to disaggregate and present in its financial statements:
    - The *function of the item*
    - The *nature of the item*
    - The *measurement basis of the item.*

Proposed Changes to Financial Statement Presentation

- Fundamental changes proposed
  - Presentation of Balance Sheet based on operations of the entity
  - Cash equivalents classification eliminated
    - Will be shown as investments in order of liquidity
  - Statement of Cash Flows using the Direct Method only
- FASB not formally taking comments on draft but welcomes feedback
- Exposure Draft expected early 2011



On-Going Projects – FASB Only

- Disclosure of Certain Loss Contingencies
- Going Concern
- Disclosure Framework
- Investment Properties
- Disclosures about an Employer's Participation in a Multiemployer Plan
- Transfers and Servicing – Repurchase Agreements
- Troubled Debt Restructuring

FASB Website:

http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1218220137074

Private Company Accounting Update

- In December 2009, a blue-ribbon panel created
  - American Institute of Certified Public Accountants (AICPA)
  - National Association of State Boards of Accountancy
  - Financial Accounting Foundation
- Panel comprised of:
  - Lenders
  - Investors
  - Owners
  - Preparers
  - Auditors
- Panel is commissioned to issue a report on recommendations related to accounting standards specific to private companies
- IFRS
  - IFRS for Small and Medium-Sized Entities (IFRS for SMEs)
  - IFRS for SMEs = IFRS for Private Companies

Regulatory Update

Topics:

- PCAOB – Supreme Court case challenging constitutionality
- Section 404(b) – ICFR audit requirements for non-accelerated filers
- XBRL phase-in – Companies with June, July and August year ends

XBRL Phase-In

- Three groups:
  1. Large accelerated filers – public float over $5 billion (6-15-09)
  2. Other large accelerated filers (6-15-10)
  3. All others (6-15-11)
- Gradual reporting
  - Domestic issuers first provide in Form 10-Q
  - Block tag in year 1; detail tag in year 2

Q&A Session

That concludes today's program.

Thank you for attending!