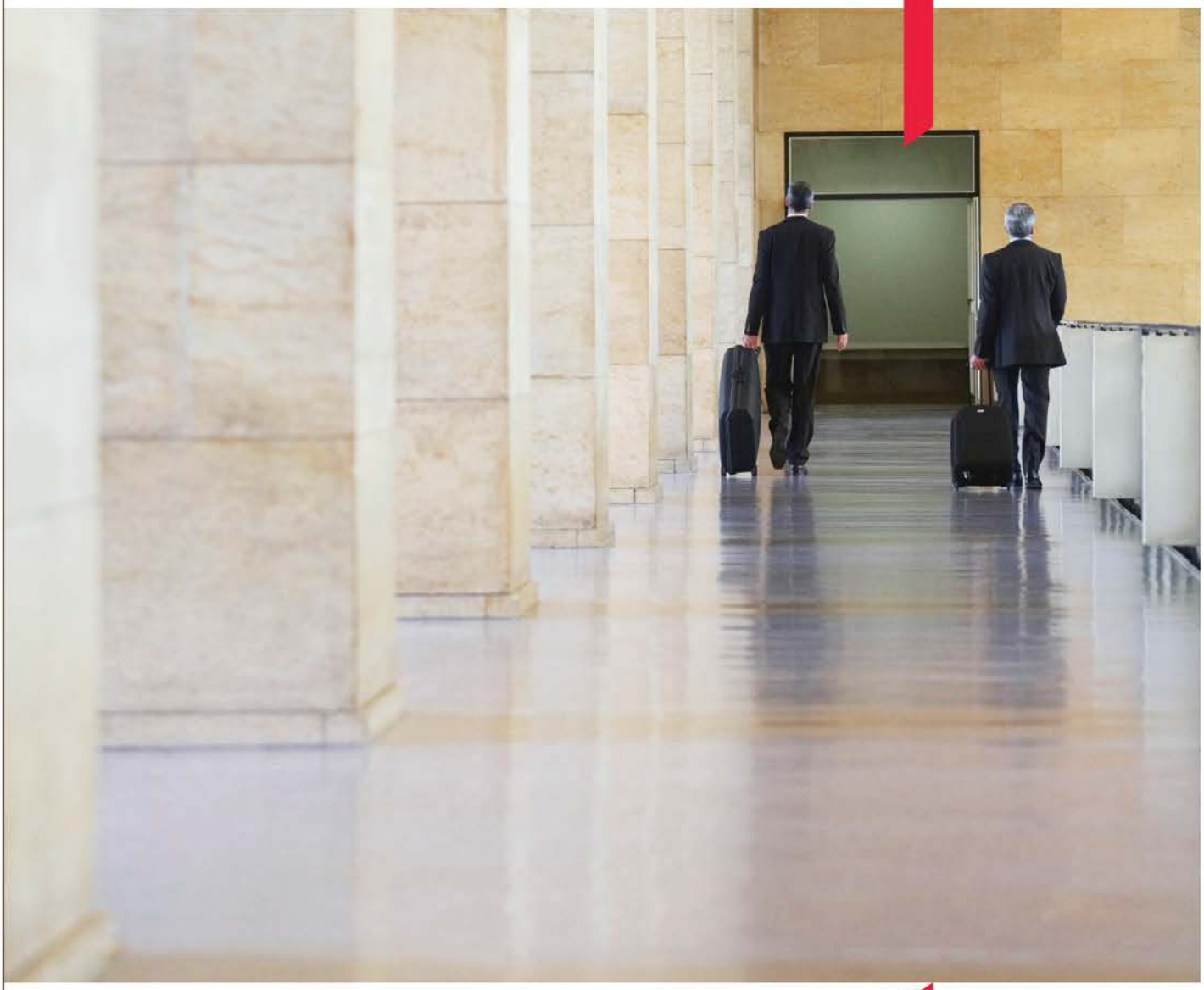
SECOND QUARTER 2013

AN OFFERING FROM BDO'S NATIONAL ASSURANCE PRACTICE

SIGNIFICANT ACCOUNTING & REPORTING MATTERS



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▶FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

FINAL FASB GUIDANCE

All final FASB guidance can be accessed on the FASB website at **http://www.fasb.org/home** located under the *Standards* tab, *Accounting Standards Updates*.

Accounting Standards Update 2013-08, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*

Issued: June 2013

Summary: The amendments in this Update modify the guidance for determining whether an entity is an investment company, update the measurement requirements for noncontrolling interests in other investment companies and require additional disclosures for investment companies under US GAAP. The amendments in the Update develop a two-tiered approach for the assessment of whether an entity is an investment company which requires an entity to possess certain fundamental characteristics while allowing judgment in assessing other typical characteristics. The amendments in this Update also revise the measurement guidance in Topic 946 such that investment companies must measure noncontrolling ownership interests in other investment companies at fair value, rather than applying the equity method of accounting to such interests.

For additional information on this ASU, refer to BDO's Flash Report at: http://www.bdo.com/download/2668.

Effective Date: The amendments in this Update are effective for an entity's interim and annual reporting periods in fiscal years that begin after December 15, 2013. Earlier application is prohibited.

Accounting Standards Update 2013-07, *Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting*

Issued: April 2013

Summary: The amendments in this Update require an entity to present its financial statements using the liquidation basis of accounting when liquidation is imminent unless the liquidation follows a plan that was specified in the entity's governing documents at the entity's inception. Liquidation is imminent when the likelihood is remote that the entity will return from liquidation and either (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective or (b) a plan for liquidation is being imposed by other forces. The amendments require financial statements prepared using the liquidation basis of accounting to present relevant information about an entity's expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation.

For additional information on this ASU, refer to BDO's Flash Report at: http://www.bdo.com/download/2601.

Effective Date: The amendments in this Update are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent. Early adoption is permitted.

Accounting Standards Update 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate (a consensus of the FASB Emerging Issues Task Force)*

Issued: April 2013

Summary: The amendments in this Update require a recipient not-for-profit entity to recognize in its standalone financial statements all personnel services received from an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if the cost significantly overstates or understates the value of the services received, a not-for-profit entity can elect to measure the services at fair value.

A not-for-profit entity within the scope of Topic 954, *Health Care Entities*, that provides a performance indicator (analogous to income from continuing operations of a for-profit entity) will report the increase in net assets associated with personnel services received from an affiliate as an equity transfer, regardless of whether those services are received from a not-for-profit affiliate entity or a for-profit affiliate entity. For other not-for-profit entities that do not present a performance indicator, this Update does not prescribe presentation guidance for the increase in net assets associated with personnel services received from an affiliate other than prohibiting reporting as a contra-expense or a contra-asset. All not-for-profit entities will report the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of personnel services received from an affiliate similar to how other such expenses and assets are reported. The amendments also specify that Subtopic 850-10, *Related Party Disclosures—Overall*, applies to personnel services received from an affiliate.

Effective Date: The amendments in this Update are effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted.

Emerging Issues Task Force Issues – Final Consensuses

Status: The Emerging Issues Task Force (EITF or "Task Force") has reached final consensus on each of the following Issues as of June 11, 2013; FASB ratification occurred on June 26, 2013 and final ASUs will be issued in the near future.

Issue 13-A, Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes

Summary: The Task Force has affirmed its consensus as presented in the proposed ASU, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*. The amendments will permit the Fed Funds Effective Swap Rate (OIS) to be included as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. No additional disclosures will be required.

Effective Date: The amendments will be applied on a prospective basis for qualifying new or redesignated hedging relationships entered into on or after the date of adoption. The effective date will be concurrent with the date of issuance of the final ASU (expected in July 2013).

Issue 13-C, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward or Tax Credit Carryforward Exists

Summary: The Task Force has affirmed its consensus as presented in the proposed ASU, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward or Tax Credit Carryforward Exists*. Under the amendments, an unrecognized tax benefit, or a portion of an unrecognized tax benefit, will be presented in the statement of financial position as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward, except as follows. To the extent that a net operating loss carryforward or tax credit carryforward at the reporting date is not available under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position, the unrecognized tax benefit will be presented in the statement of financial position as a liability. No new recurring disclosures will be required.

Effective Date: The amendments will be effective for public companies for annual periods beginning after December 15, 2013, and interim periods within those periods. For nonpublic entities, the amendments will be effective for annual periods beginning after December 15, 2014, and interim periods within those periods. The amendments will be applied on a prospective basis to all unrecognized tax benefits that exist at the effective date, although retrospective application will be permitted. Early adoption will also be permitted.

PROPOSED FASB GUIDANCE

The following is a summary of significant proposed guidance that was issued or was open for comment during the quarter. All proposed FASB guidance can be accessed on the FASB website at **http://www.fasb.org/home** located under the *Exposure Documents* tab.

Proposed Accounting Standards Update (revised), *Leases (Topic 842): a revision of the 2010 proposed FASB Accounting Standards Update, Leases (Topic 840)*

Issued: May 16, 2013

Comment Deadline: September 13, 2013

Summary: On May 16, 2013, the FASB and IASB issued a revised joint exposure draft (ED) on leases that, if adopted, would pose significant changes for both lessees and lessors. The proposal has been updated since it was originally published in August 2010. Like the 2010 ED, the proposal would end "off-balance sheet" accounting for almost all leases, likely impacting certain key performance indicators and/or debt covenants across companies. Instead, both parties to a lease would record assets and liabilities to reflect their respective rights and obligations under the contract. The proposal is intended to result in a more transparent representation of a lease's economics by eliminating the "bright lines" that distinguish different types of leases under current accounting standards (e.g., operating vs. capital leases).

The revised ED proposes a dual approach to the recognition, measurement, and presentation of expenses and cash flows arising from a lease, for both lessees and lessors, which is dependent upon whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. For most property leases, a lessee would report a single, straight-line lease expense in its income statement for its use of the underlying asset. For most other leases, such as equipment or vehicles, a lessee would report amortization of the asset separately from interest on the lease liability. The combination of the asset amortization and financing cost associated with the lease liability will generally result in a "front-loaded" expense recognition pattern in the early years of a lease. The Boards are also proposing disclosures that should enable investors and other users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases.

For additional information on this Proposed ASU, refer to BDO's Flash Report at: http://www.bdo.com/download/2636.

In addition, BDO will host a CPE-worthy Ac'sense webinar on July 9, 2013 discussing the provisions of the revised ED. Refer to http://www.bdo.com/acsense/ for more information and to register.

Effective Date: The effective date of the proposal will be determined after the FASB and IASB consider the feedback received on this and other current projects, but an effective date prior to 2017 is not expected. The ED would apply to all leases existing at "the beginning of the first comparative period" presented upon adoption.

Proposed Accounting Standards Update, *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04*

Issued: April 30, 2013

Comment Deadline: May 31, 2013

Summary: The amendments in this proposed Update would defer indefinitely the effective date of certain required disclosures in Update 2011-04 (Topic 820) of quantitative information about the significant unobservable inputs used in Level 3 fair value measurement for investments held by a nonpublic employee benefit plan in its plan sponsor's own nonpublic entity equity securities. The indefinite deferral is intended to allow time for discussions between the employee benefit plan regulator(s) and stakeholders about the specific quantitative disclosures and their potential effect on the plan sponsor as a result of the public dissemination of proprietary nonpublic employee benefit plan information through posting on the regulator's website.

For additional information on this Proposed ASU, refer to BDO's Flash Report at: http://www.bdo.com/download/2566.

Effective Date: The proposed deferral would be effective upon issuance of the final Update. That final Update is expected to be issued in early July 2013.

Proposed Accounting Standards Update, *Accounting for Investments in Qualified Affordable Housing Projects*

Issued: April 17, 2013

Comment Deadline: June 17, 2013

Summary: The Low Income Housing Tax Credit is a program designed to encourage investment of private capital for use in the construction and rehabilitation of low income housing, which provides certain tax benefits to investors in those projects. Current U.S. GAAP allows a reporting entity with a qualifying investment to account for the investment using the effective yield method if certain restrictive conditions are met. This generally combines the investment performance and tax credits in a single line item on the investor's income statement. If those conditions are not met, then an investor would apply the equity method or cost method of accounting, either of which presents the investment performance and tax credits in separate line items on the investor's income statement. The amendments in this proposed Update would relax the conditions that are necessary for an investor to elect to use the effective yield method.

Effective Date: The effective date will be determined after the Task Force considers stakeholder feedback on the proposed Update. It would be effective on a retrospective basis and early adoption would be permitted.

Proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205): Reporting Discontinued Operations*

Issued: April 2, 2013

Comment Deadline: August 30, 2013

Summary: The amendments in this proposed Update would change the requirements for reporting discontinued operations in Subtopic 205-20, which would more closely align the requirements for reporting discontinued operations in Subtopic 205-20 with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. A discontinued operation would be either of the following:

1. A *component of an entity* or a group of components of an entity that represents a separate major line of business or major geographical area of operations that either has been disposed of or is part of a single coordinated plan to be classified as held for sale in accordance with the criteria in paragraph 360-10-45-9; or

2. A business that, on acquisition, meets the criteria in paragraph 360-10-45-9 to be classified as held for sale.

A *component of an entity* comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group.

In addition to amending the definition of discontinued operations, the amendments in this proposed Update would require additional disclosures about discontinued operations and other disposals of individually material components of an organization that do not qualify for discontinued operations presentation in the financial statements. The proposed amendments also would expand the disclosures about an organization's continuing involvement with a discontinued operation.

For additional information on this Proposed ASU, refer to BDO's Flash Report at: http://www.bdo.com/download/2556.

Effective Date: The effective date will be determined after the Board considers the feedback on the amendments in this proposed Update. The proposed amendments would be applied prospectively to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after the period of adoption, with earlier application permitted.

Emerging Issues Task Force Issues – Consensuses-for-Exposure

Status: The Task Force has reached consensus-for-exposure on each of the following Issues as of June 11, 2013; FASB ratification occurred on June 26, 2013 and exposure drafts will be issued in the near future. A 60-day comment period will be provided for each of the exposure drafts.

Issue 12-G, Accounting for the Difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Collateralized Financing Entity

Summary: This issue was previously addressed in a proposed ASU that would have defined a collateralized financing entity (CFE) as a variable interest entity (VIE) that holds financial assets, issues beneficial interests in those financial assets with recourse only to those financial assets, and has nominal equity. The proposed amendments would have required a reporting entity that measures the financial assets and financial liabilities of a CFE at fair value to determine the fair value of the CFE's financial assets and financial liabilities consistently with how market participants would price the reporting entity's net risk exposure at the measurement date. The Task Force reached a consensus-for-exposure to remove the previously proposed requirement to separately measure the CFE's financial assets and financial liabilities, and to propose instead that the reporting entity use the fair value of the CFE's financial (and any nonfinancial) assets as a proxy for measuring the value of the financial liabilities.

Issue 12-H, Accounting for Service Concession Arrangements

Summary: Service concession arrangements are contracts under which a public sector entity (grantor) grants a private entity (an operating entity) the right to operate and/or maintain the grantor's infrastructure assets (for example, airports, roads, bridges, tunnels, prisons, and hospitals). The issue is how an operating entity should account for a service concession arrangement. The Task Force reached a consensus-for-exposure to clarify that such an arrangement would not be subject to leasing guidance in Topic 840 if certain criteria are met, but rather, it would be subject to other applicable guidance (e.g., Topic 605).

Issue 13-E, Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring

Summary: U.S. GAAP requires loans to be reclassified from a creditor's loan portfolio to other real estate owned (OREO) when there is an in-substance repossession or foreclosure (i.e., the creditor receives physical possession of the debtor's assets regardless of whether formal foreclosure proceedings take place). The issue is when a creditor should be considered to have taken physical possession of a real estate property collateralizing a loan and therefore should reclassify the loan. The Task Force reached a consensus-for-exposure to clarify that a creditor would have physical possession of a real estate property when (1) it obtains legal title to the collateral or (2) the borrower conveys all interest in the real estate property to the lender to satisfy that loan even though legal title may not have passed (i.e., deed in lieu of foreclosure agreement). Upon one of these events, the creditor would reclassify the loan to OREO.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant FASB publications and activities, with particular focus on the recent developments of the FASB and IASB's joint projects.

Stakeholder Survey on FASB's Future Agenda

The Financial Accounting Standards Advisory Council (FASAC), the primary advisory group for the FASB, issued a public survey regarding the FASB's future agenda that closed on May 30, given that several significant current projects are nearing completion.

The FASAC invites stakeholders, including FASAC members, FASB members, other FASB advisory group members, financial reporting and industry executives, investors, analysts, and other users of financial statements to participate in the survey.

For additional information, refer to BDO's Flash Report at: http://www.bdo.com/download/2614.

Update on International Convergence

The FASB and the IASB continue their efforts on a number of joint projects, including revenue recognition, financial instruments, leases and other projects. In their first quarter Board Meetings, the FASB and IASB made a number of key decisions, detailed below by topic.

Leases – The revised exposure draft is detailed in the FASB section above, and the comment period closes in September 2013.

Revenue – The Boards are conducting final deliberations and expect to issue the final standard on revenue recognition by the end of the third quarter of 2013.

Financial Instruments – Impairment – The FASB and IASB independently issued exposure drafts on this topic. Both boards have indicated they may consider the comments on both models before moving forward with final standards. The comment period on the FASB draft ended May 31, 2013.

Financial Instruments – Classification and Measurement – The FASB issued an ED on recognition and measurement of financial instruments during the first quarter, and a subsequent ED during the second quarter proposing consequential amendments to the various FASB Accounting Standards Codification Topics that will be impacted by the recognition and measurement ED. The comment period on these proposals closed in May 2013, and the Board is considering feedback. The IASB issued its exposure draft on proposed amendments to IFRS 9 in December 2012. The IASB's classification and measurement ED follows the same general principles as the FASB's ED. It provides for the same three categories based upon the instrument's cash flow characteristics and the entity's business model. However, differences remain. For example, the FASB's proposal provides more detailed guidance related to sales of assets classified as amortized cost. The circumstances under which a fair value option can be elected also differ, and IFRS provides an option to classify equity investments as fair value with qualifying changes in fair value recorded in other comprehensive income.

For current status of joint FASB/IASB projects, refer to the FASB's Current Technical Plan and Project Updates page at: http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1218220137074, and IASB's Work Plan for IFRSs at: http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx.

In addition, refer to BDO's upcoming Ac'sense Webinar: *Quarterly Technical Update (Q2 2013)* available at: http://www.bdo.com/acsense/events/technicalupdateq22013.aspx.

Update on Private Company Decision-Making Framework

Summary of Current Developments: In May 2013, the Private Company Council (PCC) of the Financial Accounting Foundation (FAF) voted to move forward with proposed alternatives within U.S. Generally Accepted Accounting Principles (GAAP) designed to improve financial reporting for private companies. On June 11, 2012, the FASB endorsed the PCC's three proposals. Consequently, exposure drafts on the following topics are expected soon: relief from separately recognizing certain intangible assets acquired in a business combination; allowing for the amortization of goodwill and a simplified goodwill impairment model; and allowing two simpler approaches to account for certain types of interest rate swaps when a private company intends to economically convert the interest rate on its debt.

For additional information, refer to BDO's Flash Report at: http://www.bdo.com/download/2679.

More information is available in the press release:
http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FNewsPage&cid=1176162582624

Background: In May 2012, the FAF established the PCC to improve the standards-setting process in U.S. GAAP for private companies. Its purpose is to determine whether exceptions or modifications to existing standards are necessary to meet the needs of private company financial statement users. The PCC will also serve in an advisory capacity to the FASB. In that role, the PCC will emphasize private company perspectives as the FASB develops accounting standards in the future.

In July 2012 the FASB published an Invitation to Comment on the FASB Staff Paper, *Private Company Decision-Making Framework: A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies*. It outlines an approach for deciding whether and when to modify U.S. GAAP for private companies. The FASB and PCC discussed feedback on the framework and subsequently re-exposed it in April 2013. The comment period closed June 21, 2013. The Invitation can be accessed at: http://www.fasb.org/cs/BlobServer?blobkey=id&blobnocache=true&blobwhere=1175826656388&blobheader=application%2Fpdf&blobcol=urldata&blobtable=MungoBlobs

AICPA—Private Company Financial Reporting Framework

Summary of Current Developments: On June 11, 2013, the same day that the FASB endorsed the three proposals approved by the PCC (see previous above), the American Institute of Certified Public Accountants (AICPA) released its 206 page *Financial*

Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs OR "the framework"), which is a *new* accounting framework option designed to help small businesses prepare streamlined, relevant financial reports. This special purpose framework is an other comprehensive basis of accounting (OCBOA) and is intended for smaller- to medium-sized for-profit private companies that do *not* need U.S. GAAP financial statements. *However, the framework is neither authoritative nor is its use required.* The framework is available for immediate use by incorporated or unincorporated entities across various industries. Specific industry guidance is not included in the framework. The framework is not intended as a substitute for U.S. GAAP when U.S. GAAP-based financial statements are necessary, as determined by the management of a private company and its financial statement users.

The objectives of the AICPA and FAF's PCC are different: the PCC focuses on modifications to U.S. GAAP for private companies that need or are required to prepare financial statements in accordance with U.S. GAAP, while the AICPA has prepared the FRF for SMEs framework for companies that do not require U.S. GAAP financial statements.

For additional information, refer to BDO's Flash Report at: http://www.bdo.com/download/2679.

Update on Disclosure Framework

Recent Developments: In the first quarter, the Board discussed a summary of the comments received on the Invitation to Comment, *Disclosure Framework*. The FASB is currently seeking public and private companies and not-for-profit organizations to participate in a field study on disclosures in notes to financial statements.

Background: In July 2012, the FASB published an Invitation to Comment, *Disclosure Framework*. The objective and primary focus of this project is to improve the effectiveness of disclosures in notes to financial statements of public, private, and not-for-profit organizations by clearly communicating the information that is most important to users of each entity's financial statements. Although reducing the volume of notes to financial statements is not the primary focus, the Board hopes that a sharper focus on important information will result in reduced volume in most cases.

BDO offered thoughts in its recent comment letter on the disclosure framework discussion paper, which is available at: http://www.bdo.com/download/2370.

For further background information regarding this project, please refer to BDO's *Significant Accounting and Reporting Matters – 2012 editions available at:* http://www.bdo.com/publications/assurance/index.aspx.

▶PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

FINAL PCAOB GUIDANCE

All proposed PCAOB guidance can be accessed on the PCAOB website at **http://www.pcaobus.org/** located under the *Rules of the Board* tab.

As of the date of this publication, the PCAOB had not adopted any significant final rules during the quarter.

PROPOSED PCAOB GUIDANCE

All proposed PCAOB guidance can be accessed on the PCAOB website at **http://www.pcaobus.org/** located under the *Rules of the Board* tab.

Reproposal for public comment an auditing standard, *Related Parties*, and related amendments

Issued: May 7, 2013

Comment Deadline: July 8, 2013

Summary: The reproposed standard would increase the auditor's focus on the evaluation of a company's identification of, accounting for, and disclosure of its relationships and transactions with related parties.

The reproposed amendments would enhance the auditor's identification and evaluation of a company's significant unusual transactions. They also would require that the auditor perform procedures, as part of the process to assess the risk of material misstatement in the financial statements, to obtain an understanding of a company's financial relationships and transactions with executive officers. These procedures would not require the auditor to make any determination regarding the reasonableness of, or any recommendations regarding, compensation arrangements.

Effective Date: The reproposed standard and amendments would be effective, subject to approval by the SEC, for audits of financial statements for fiscal years beginning on or after December 15, 2013. The Board seeks comment regarding the feasibility of this date in Section VI. of Appendix 4 of the release.

More information is available in the PCAOB's press release at: http://pcaobus.org/News/Releases/Pages/05072013_RelatedParties.aspx.

The proposed auditing standard is available at: http://pcaobus.org/Rules/Rulemaking/Docket038/Release%202013-004_Related%20Parties.pdf.

▶SECURITIES AND EXCHANGE COMMISSION (SEC)

FINAL SEC GUIDANCE

All SEC Final Rules can be accessed on the SEC website at **http://www.sec.gov/**, located under the *Regulatory Actions* section, *Final Rules*.

(Note: The following pertains to significant accounting and reporting SEC releases. For a complete listing of SEC rules, please refer to the SEC website.)

As of the date of this publication, the SEC had not adopted any significant final rules during the quarter.

PROPOSED SEC GUIDANCE

All SEC Proposed Rules can be accessed on the SEC website at **http://www.sec.gov/**, located under the *Regulatory Actions* section, *Proposed Rules*.

(Note: The following pertains to significant accounting and reporting SEC releases. For a complete listing of SEC rules, please refer to the SEC website.)

As of the date of this publication, the SEC had not issued any significant proposed rules during the quarter.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant SEC publications and activities.

Conflict Minerals FAQs

Summary*:* On May 30, 2013, the SEC staff issued a set of frequently asked questions (FAQ) to assist companies with the application of Exchange Act Rule 13p-1, which requires companies to determine and publicly disclose on an annual basis their use of conflict minerals from the Democratic Republic of the Congo (DRC) or adjoining countries. The FAQs also provide guidance related to reporting under Item 1.01 of Form SD, which was created for the purpose of reporting information required by Rule 13p-1 and the rule requiring disclosure of payments to governments by resource extraction issuers. For additional information on the FAQ, refer to BDO's Flash Report, accessible at: http://www.bdo.com/download/2677.

For additional information on Conflict Minerals reporting, refer to BDO's Flash Report on the rule, accessible at: http://www.bdo.com/download/2256.

Early Adoption of New Accounting Standards by Emerging Growth Companies

Summary: The Jumpstart our Business Startups (JOBS) Act permits emerging growth companies (EGCs) to elect to defer adopting new or revised accounting standards, issued after April 5, 2012 and applicable to nonpublic companies, until the time they are required to be adopted by nonpublic companies. Such an election is irrevocable. However, upon receiving questions regarding application of a standard that permits early adoption by nonpublic companies, the staff has informally communicated that an EGC which has elected to adopt new standards on a deferred basis may adopt such a standard early without losing the ability to adopt other new standards using nonpublic company effective dates.

For more information, refer to BDO's *Flash Report* at: http://www.bdo.com/download/2604.

SEC Position on IFRS

Summary*:* SEC Chief Accountant Paul Beswick addressed the 12th annual Baruch College financial reporting conference in New York City in May 2013, during which he fielded inquiries regarding the SEC's plans for potentially requiring or allowing a transition to IFRS for domestic filers. Beswick indicated that a full scale IFRS mandate in the near term is unlikely, although the SEC is continuing to evaluate various options for incorporating global accounting standards. Beswick seemed to favor a gradual convergence approach, emphasizing the importance of the ongoing convergence efforts by the FASB and the IASB.

Updated COSO Integrated Framework

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) issued an updated *Internal Control–Integrated Framework (Framework) and related illustrative documents*. The Framework, originally published in 1992, is recognized as the leading guidance for designing, implementing and conducting internal control and assessing its effectiveness.

Components of the Framework remain centered on: the control environment, risk assessment, control activities, information and communication, and monitoring activities. These components are further broken down into 17 underlying principles. COSO highlights how the Framework may be used by various interested parties that have different responsibilities and objectives with respect to internal control.

For additional information, refer to BDO's Flash Report at: http://www.bdo.com/download/2631.

In a recent speech, Paul Beswick indicated that the SEC will continue to monitor the transition from the original to the updated *Framework* "to evaluate whether and if any staff or Commission actions become necessary or appropriate at some point in the future."

NASDAQ Withdraws Proposal for Internal Audit Requirement

Summary*:* In February 2013, the NASDAQ Stock Market filed with the SEC a proposed rule change that would require all listed companies to maintain an internal audit function (refer to BDO's Flash Report at: http://www.bdo.com/download/2500). However, based on feedback received from stakeholders, NASDAQ has withdrawn this proposal pending further deliberations. The press release is available at: http://nasdaq.cchwallstreet.com/nasdaq/pdf/nasdaq-issalerts/2013/2013-003.pdf.

▶INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

FINAL IASB GUIDANCE

All final IASB guidance can be accessed on the IASB website at **http://www.ifrs.org/**, located under the *IFRS* tab, *Standards and Interpretations*.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 Impairment of Assets)

Issued: May 2013

Summary: The amendments have arisen as a result of the IASB's previous modification of certain disclosures in IAS 36 (as a result of a consequential amendment to IFRS 13 Fair Value Measurement). The prior modifications may have resulted in the disclosure of information that was broader than intended.

These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information regarding the recoverable amount of impaired assets that have been determined on a fair value less costs of disposal basis. As such, the amendments:

- Reduce instances in which recoverable amounts (for assets and cash-generating units (CGU)) need to be disclosed;
- Clarify what disclosures are required; and
- Specify that the discount rate must be disclosed when an asset or CGU has been impaired (or impairment reversed) when the recoverable amount has been determined based on fair value less costs of disposal using a present value technique.

The original exposure draft (ED) contained an illustrative example for the proposed disclosures regarding fair value less costs of disposal. This illustrative example has been removed from the final amendment due to constituent feedback.

Effective Date: The amendments are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively. Early adoption is permitted, however an entity may not apply the amendments to any period (including comparatives) where IFRS 13 has not also been applied.

IFRIC Interpretation 21, *Levies*

Issued: May 2013

Summary: The IFRS Interpretations Committee received various requests for guidance by entities on the accounting for a levy imposed by a government, other than income taxes, in its financial statements. IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets addressing when the levy liability should be recognized. IFRIC 21 clarifies that the

obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

More information is available at: http://www.bdointernational.com/News/Pages/IASB-issues-latest-Interpretation---IFRIC-21-Levies.aspx.

Effective Date: The effective date is for annual periods beginning on or after January 1, 2014, with earlier application permitted. Changes in accounting policies resulting from the initial application of the Interpretation are to be accounted for retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

PROPOSED IASB GUIDANCE

The following is a summary of all significant proposed guidance that was issued or was open for comment during the quarter. All proposed IASB guidance can be accessed on the IASB website at **http://www.ifrs.org/**, located under the *Get Involved* tab, *Comment on a Proposal*.

Exposure Draft, *Agriculture: Bearer Plants*

Issued: June 2013

Comment Deadline: October 28, 2013

Summary: IAS 41 Agriculture requires all biological assets that are related to agricultural activity to be measured at fair value less costs to sell based on the principle that their biological transformation is best reflected by fair value measurement. However, there is a class of biological assets, known as bearer plants, that, once mature, are held by an entity solely to grow produce over their productive life. However, mature bearer plants no longer undergo significant biological transformation and their operation is similar to that of manufacturing. The Exposure Draft (ED) proposes amendments to account for bearer plants like property, plant and equipment in accordance with the requirements in IAS 16 Property, Plant and Equipment, rather than in accordance with IAS 41, thus permitting the use of either a cost model or a revaluation model. The produce growing on the bearer plants would remain under the fair value model in IAS 41.

Effective Date: The effective date of the proposal and its application will be determined after the IASB considers the feedback received on the ED.

Exposure Draft, *Insurance Contracts*

Issued: June 2013

Comment Deadline: October 25, 2013

Summary: The IASB published a revised ED of proposals for the accounting for Insurance Contracts. The revised ED builds upon proposals published in 2010, and reflects feedback received during the public consultation period that followed the publication of those proposals. While the model presented in the 2010 ED was broadly supported, some specific issues were raised that the IASB has sought to address. The revised proposals respond to those issues by introducing enhancements to the presentation and measurement of insurance contracts while seeking to minimize artificial accounting volatility.

The revised ED sets out in full the proposals for the accounting for insurance contracts. However, respondents are asked for comments on the key areas that the IASB has changed as a result of the responses it received to the 2010 ED.

Effective Date: The effective date of the proposal and its application will be determined after the IASB considers the feedback received on the revised ED.

Exposure Draft, *Leases*

Issued: May 2013

Comment Deadline: September 13, 2013

Summary: The ED was issued jointly by the IASB and the FASB, with minor differences such as the revaluation of the right-of-use asset and option to classify interest as operating, investing, or financing cash flows under IFRS. For a summary of the main provisions, see *Proposed FASB Guidance* section of this document, above. Additional information specific to the ED released by the IASB is available at: http://www.bdointernational.com/News/Pages/Lease-Accounting---IASB-releases-its-latest-exposure-draft.aspx.

Effective Date: The effective date of the proposal will be determined after the FASB and IASB consider the feedback received on this and other current projects, but an effective date prior to 2017 is not expected. The ED would apply to all leases existing at the beginning of the first comparative period presented upon adoption.

Exposure Draft, *Regulatory Deferral Accounts*

Issued: April 2013

Comment Deadline: September 4, 2013

Summary: Many jurisdictions have industry sectors that are subject to rate regulation (i.e. a restriction on the setting of prices that can be charged to customers for services or products), such as in the transportation and utilities sectors), however, current IFRS guidance does not address the accounting for rate regulated activities.

As drafted, the current proposals only apply to entities who are preparing their first IFRS financial statements, that is, entities who have previously adopted IFRS are unable to apply the proposals. First time IFRS adoptions will be able to apply the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards, namely use of previous GAAP carrying amounts as deemed cost for property, plant and equipment and intangible assets. For entities able to apply the proposals, the exposure draft proposes to:

- Permit an entity to continue to adopt in its IFRS financial statements the recognition, measurement and impairment requirements as stated under its previous GAAP accounting policies;
- Require the presentation of regulatory deferral account balances as separate line items in the statement of financial position;
- Require the presentation of movements in regulatory deferral account balances as separate line items in the statement of profit or loss and other comprehensive income; and
- Require specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances.

More information is available at: http://www.bdointernational.com/Services/Audit/IFRS/IFRS-News/Pages/IFRS-News-April-2013.aspx.

Effective Date: As drafted, there is no explicit relief from full retrospective application, and the effective date is yet to be confirmed.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant IASB publications and activities, with particular focus on the recent developments and prioritization of the FASB and IASB's joint efforts to work towards convergence of U.S. GAAP and IFRS.

Public Survey on Classification and Measurement of Financial Assets

Summary: The IASB launched a survey for users of financial statements in relation to the IASB's exposure draft *Classification and Measurement: Limited Amendments to IFRS 9*, released in November 2012.

One of the key changes proposed in the ED was the introduction of a third category for the classification of financial assets, Fair Value through Other Comprehensive Income (FVOCI), which attempts to better portray how financial assets are managed in practice. The IASB is seeking feedback from analysts and investors on this proposed change.

The survey period closed on May 31, 2013.

In addition, please refer to the following BDO publications in relation to the ED:

- *BDO Need to Know: Classification and Measurement: Limited amendments to IFRS 9*

Update on International Convergence

For a summary of international convergence efforts, please refer to the *FASB: Other Activities* section above.

EFFECTIVE DATES OF U.S. ACCOUNTING PRONOUNCEMENTS

This appendix was prepared with a calendar year-end company in mind. Therefore standards with an effective date in 2012 have been included since many companies applied them for the first time in 2013, e.g., the first interim or annual period beginning on or after December 15, 2012. Standards that do not require adoption before 2014 are highlighted in gray. The final amendments to the FASB Codification resulting from EITF Issues No. 13-A and 13-C were not available before the second quarter Significant Accounting & Reporting Matters document was published. The effective dates indicated above (see "Final FASB Guidance") are based on our observation of the EITF meeting, which is available to the public via webcast.

For a practice aid on the effective dates of new IFRS pronouncements, refer to: http://www.bdo.com/ifrs/practice.aspx

PRONOUNCEMENT	EFFECTIVE DATE
ASC 205, Presentation of Financial Statements	
ASU 2013-07, *Liquidation Basis of Accounting*	Effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013. Early adoption is permitted.
ASC 210, Balance Sheet	
ASU 2013-01, *Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*	The amendments are effective for fiscal years beginning on or after 1/1/2013 and interim periods within those years. Retrospective application is required.
ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*	An entity is required to apply the amendments for annual reporting periods beginning on or after 1/1/2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented.
ASC 220, Comprehensive Income	
ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*	For public entities, the amendments are effective prospectively for reporting periods beginning after 12/15/2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after 12/15/2013. Early adoption is permitted.

PRONOUNCEMENT	EFFECTIVE DATE
ASC 230, Statement of Cash Flows	
ASU 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force)*	Effective prospectively for fiscal years, and interim periods within those years, beginning after 6/15/2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year of adoption is permitted. For fiscal years beginning before 10/22/2012, early adoption is permitted only if an NFP's financial statements for those fiscal years and interim periods within those years have not yet been made available for issuance.
ASC 350, Intangibles—Goodwill and Other	
ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*	Effective for annual and interim impairment tests performed for fiscal years beginning after 12/15/2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before 7/27/2012, if an entity's financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance.
ASC 360, Property, Plant, and Equipment	
ASU 2011-10, *Derecognition of in Substance Real Estate—a Scope Clarification (a consensus of the FASB Emerging Issues Task Force)*	The amendments in this Update should be applied on a prospective basis to deconsolidation events occurring after the effective date. Prior periods should not be adjusted even if the reporting entity has continuing involvement with previously derecognized in substance real estate entities. For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after 6/15/2012. For nonpublic entities, the amendments are effective for fiscal years ending after 12/15/2013, and interim and annual periods thereafter. Early adoption is permitted.
ASC 405, Liabilities	
ASU 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)*	Retrospective application is required for all periods presented. Entities are permitted to use hindsight when determining the appropriate amount to be recorded in prior periods. For public entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after 12/31/2013. For nonpublic entities, the guidance is effective for fiscal years ending after 12/31/2014 and interim and annual periods thereafter. Early adoption is permitted.

PRONOUNCEMENT	EFFECTIVE DATE
ASC 720, Other Expenses	
ASU 2011-06, *Fees Paid to the Federal Government by Health Insurers (a consensus of the FASB Emerging Issues Task Force)*	Effective for calendar years beginning after 12/31/2013, when the fee initially becomes effective.
ASC 805, Business Combinations	
ASU 2012-06, *Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution (a consensus of the FASB Emerging Issues Task Force)*	For public and nonpublic entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after 12/15/2012. Early adoption is permitted. The amendments should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from a government-assisted acquisition of a financial institution.
ASC 825, Financial Instruments	
ASU 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities*	The Update was effective upon issuance in February 2013. Consequently, it amends ASU 2011-04 immediately, which is effective for nonpublic entities for periods beginning after 12/15/2011 (i.e., 2012 calendar year-ends).
ASC 830, Foreign Currency Matters	
ASU 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force)*	The amendments in this Update are effective prospectively for all entities with derecognition events after the effective date. For public entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after 12/31/2013. For nonpublic entities, the guidance is effective for fiscal years beginning after 12/31/2014 and interim and annual periods thereafter. Early adoption is permitted. If early adoption is elected, the guidance should be applied as of the beginning of the entity's fiscal year of adoption.
ASC 926, Entertainment—Films	
ASU 2012-07, *Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs (a consensus of the FASB Emerging Issues Task Force)*	For SEC filers, the amendments are effective for impairment assessments performed on or after 12/15/2012. For all other entities, the amendments are effective for impairment assessments performed on or after 12/15/2013. The amendments resulting from this Issue should be applied prospectively. In addition, earlier application is permitted, including for impairment assessments performed as of a date before 10/24/2012, if, for SEC filers, the entity's financial statements for the most recent annual or interim period have not yet been issued or, for all other entities, have not yet been made available for issuance.

PRONOUNCEMENT	EFFECTIVE DATE
ASC 946, Financial Services - Investment Companies	
ASU 2013-08, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements*	Effective for an entity's interim and annual reporting periods in fiscal years that begin after 12/15/2013. Earlier application is prohibited.
ASC 954, Health Care Entities	
ASU 2012-01, *Continuing Care Retirement Communities – Refundable Advance Fees*	Effective for public entities for fiscal years beginning after 12/15/2012. For nonpublic entities, the Issue will be effective for fiscal years ending after 12/15/2013. Early adoption is permitted. Entities must apply the requirements retrospectively by recording a cumulative-effect adjustment to opening retained earnings (or unrestricted assets) as of the beginning of the earliest period presented.
ASC 958, Not-for-Profit Entities	
ASU 2013-06, *Services Received from Personnel of an Affiliate*	Effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted.
Other	
ASU 2012-04, *Technical Corrections and Improvements*	The amendments in this Update that do not have transition guidance are effective upon issuance for both public entities and nonpublic entities. For public entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after 12/15/2012. For nonpublic entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after 12/15/2013.

▶BDO RESOURCES FOR CLIENTS AND CONTACTS

The following is a sample of recent BDO thought leadership materials that may be of interest. For additional publications and resources, please refer to: http://www.bdo.com/publications/assurance/

BDO AC'SENSE[SM] UPCOMING WEBINAR EVENTS AND ARCHIVES

Please check **http://www.bdo.com/acsense/** for current and upcoming programs.

Upcoming Webinars

- **COMING SOON!** Reproposed Leasing Standard Update – July 9, 2013
  http://www.bdo.com/acsense/

Archives

- **NEW!** Board Matters Quarterly Update – Q2 2013 – Executive Succession Strategy – Leadership Capabilities – June 2013[a]
  http://www.bdo.com/acsense/events/BoardMattersQ22013.aspx

- **NEW!** Technical Update – Q2 2013 – June 2013[a]
  http://www.bdo.com/acsense/events/technicalupdateq22013.aspx

- **NEW!** Limiting Exposure in Regulatory Investigations – June 6, 2013
  http://www.bdo.com/acsense/events/boardmattersQ42012.aspx

- Board Matters Quarterly Update Q1 2013 – April 18, 2013
  http://www.bdo.com/acsense/events/BoardMattersQ12013.aspx

- Technical Update Q1 2013 – April 10, 11 and 12, 2013
  http://www.bdo.com/acsense/events/technicalupdateq12013.aspx

- Board Matters Quarterly Update Q4 2012 – February 7, 2013
  http://www.bdo.com/acsense/events/boardmattersQ42012.aspx

- Quarterly Financial Update – Q4 2012 – January 8, 9, and 10, 2013
  http://www.bdo.com/acsense/events/Q42012.aspx

- Effective Audit Committees for Nonprofit Organizations – January 7, 2013
  http://www.bdo.com/acsense/NFPAuditComm/

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[a] Expected to become available as self-study courses by mid-July 2013.

- 2012 BDO 600 Executive Compensation Survey – October 10, 2012
  http://www.bdo.com/acsense/compsurvey/

- Quarterly Technical Update – Q3 2012 – October 3, 4, and 5, 2012
  http://www.bdo.com/acsense/events/Q32012.aspx

- 2012 Board Matters Quarterly Update – Q3 2012 – September 25, 2012
  http://www.bdo.com/acsense/boardmattersQ32012/

- FCPA Series: Doing Business Abroad – Spotlight on Mexico – September 19, 2012
  http://www.bdo.com/acsense/FCPAMexico/

  Additional archived programming is available at: http://www.bdo.com/acsense/archive.aspx

BDO BOARD REFLECTIONS

http://www.bdo.com/library/boardreflections.aspx

BDO continues to refine its Board Reflections resource center designed with public and private company boards of directors in mind. Understanding the roles, responsibilities and risks associated with each committee, BDO routinely provides guidance to directors as they navigate through ever changing challenges in today's corporate climate. BDO's proprietary studies, publications, practice aids and educational programs help fuel conversations among those charged with corporate governance – who are making the tough decisions. Within this site, BDO has included resources across our various disciplines to help keep board members ahead of the trends while meeting compliance obligations. BDO has added a quarterly Board Matters Update webcast, intended as a discussion of developing issues of broad interest to board members and those charged with governance.

BDO CLIENT ADVISORIES

http://www.bdo.com/publications/assurance/

- BDO Board Reflections (April 2013) – Provides a summary of Fraud in Foreign Markets, Cyber Attacks, M&A Plans and the Sequester Among Top issues at 2013 Shareholder Meetings
- Initial Offerings Newsletter (Spring 2013)
- BDO Board Reflections (February 2013) – Provides a summary currently effective PCAOB Auditing Standard No. 16 (AS 16), *Communications with Audit Committees*, and highlights changes to practice companies should be aware of.
- 2013 BDO IPO Outlook (January 2013)
- 2012 BDO IPO Halftime Report (July 2012)
- Initial Offerings Newsletter (April 2012)
- BDO Board Reflections: Top Issues at 2012 Shareholder Meetings (March 2012)
- Considerations for Nominating Committees (January 2012)
- Effective Audit Committee for Nonprofit Organizations (June 2012; http://www.bdo.com/download/2127)

BDO FINANCIAL REPORTING LETTERS & FLASH REPORTS

http://www.bdo.com/publications/assurance/

- **UPDATED!** BDO Flash Reports - Flash reports are intended to highlight certain financial reporting developments in a timely and brief "flash" format. (Various)
- Manufacturing the Future (Summer 2013)
- 2013 BDO Manufacturing RiskFactor Report (May 2013)
- BDO Knows Government Contracting (Spring 2013)
- BDO Knows Healthcare (Spring 2013)
- Report on 2012 AICPA SEC and PCAOB Conference (January 2013)
- SEC Year in Review – Significant 2012 Developments (January 2013)
- Accounting Year in Review – 2012 (January 2013)
- BDO Knows: The Jumpstart Our Business Startups Act (April 2012)
- BDO Knows: Multiemployer Pension Plans (January 2012)
- BDO Knows: Goodwill Impairment (September 2011)
- BDO Knows: Comprehensive Income Newsletter (August 2011)
- BDO Knows: Contingent Consideration (June 2011)