

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 2012-07, *Entertainment – Films (Topic 926): 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)***

**Issued:** October 2012

**Summary:** The amendments in this Update eliminate certain requirements related to an impairment assessment of unamortized film costs and clarify when unamortized film costs should be assessed for impairment. The amendments in this Update eliminate the rebuttable presumption that the conditions leading to the write-off of unamortized film costs after the balance sheet date existed as of the balance sheet date. The amendments also eliminate the requirement that an entity incorporate into fair value measurements used in the impairment tests the effects of any changes in estimates resulting from the consideration of subsequent evidence if the information would not have been considered by market participants at the measurement date.

As such, the guidance in Topic 926, *Entertainment–Films*, is the relevant guidance for performing an impairment assessment of unamortized film costs, while the existing guidance in Topic 820, *Fair Value Measurement*, and Topic 855, *Subsequent Events*, is the relevant guidance for estimating fair value and accounting for subsequent events, respectively.

**Effective Date:** For SEC filers, the amendments are effective for impairment assessments performed on or after December 15, 2012. For all other entities, the amendments are effective for impairment assessments performed on or after December 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 October 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.

### **Accounting Standards Update 2012-06, *Business Combinations (Topic 805): 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)***

**Issued:** October 2012

**Summary:** The amendments in this Update clarify the applicable guidance for subsequently measuring an indemnification asset recognized as a result of a government-assisted acquisition of a financial institution. When a reporting entity recognizes an

indemnification asset as a result of a government-assisted acquisition of a financial institution and subsequently a change in the cash flows expected to be collected on the indemnification asset occurs as a result of a change in cash flows expected to be collected on the assets subject to indemnification, the reporting entity should subsequently account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification. In certain circumstances, the effect of the change in expected cash flows of the indemnification agreement should be amortized, while in others an immediate P&L impact may result. Any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining life of the indemnified assets). For example, if the expected cash flows on the indemnified assets increase and there is no previously recorded valuation allowance, an entity should account for the associated decrease in the indemnification asset by amortizing the change over the lesser of the contractual term of the indemnification agreement and the remaining life of the indemnified assets, i.e., on the same basis as the acquired loans with evidence of deteriorated credit quality. Alternatively, if the expected cash flows on the indemnified assets increase such that a previously recorded valuation allowance is reversed, an entity should account for the associated decrease in the indemnification asset immediately in earnings.

**Effective Date:** 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 December 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.

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### **Accounting Standards Update 2012-05, *Statement of Cash Flows (Topic 230): 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)***

**Issued:** October 2012

**Summary:** Currently, there is diversity in practice under U.S. GAAP about not-for-profit entities' presentation of the cash receipts from the sale of donated financial assets, such as securities, in the statement of cash flows as either an investing activity or a noninvesting (operating or financing) activity. The amendments in this Update require an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP imposed restrictions for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those securities would be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts would be classified as cash flows from financing activities. Otherwise, receipts from the sale of donated securities would be classified as cash flows from investing activities by the NFP.

**Effective Date:** The amendments in this Update are effective prospectively for fiscal years, and interim periods within those years, beginning after June 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 October 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.

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### **Accounting Standards Update 2012-04, *Technical Corrections and Improvements***

**Issued:** October 2012

**Summary:** The amendments in this Update cover a wide range of Topics in the Codification. These amendments are presented in two sections—Technical Corrections and Improvements (Section A) and Conforming Amendments Related to Fair Value Measurements (Section B). The amendments in this Update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on

current accounting practice or create a significant administrative cost to most entities. Additionally, the amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications. This Update is not intended to significantly change U.S. GAAP.

**Effective Date:** The amendments in this Update that will not have transition guidance will be 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 December 15, 2012. For nonpublic entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2013.

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## PROPOSED FASB GUIDANCE

The following is a summary of all 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.

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### Proposed Accounting Standards Update – *Financial Instruments - Credit Losses (Subtopic 825-15)*

**Issued:** December 20, 2012

**Comment Deadline:** April 30, 2013

**Summary:** The proposed amendments would require an entity to impair its existing financial assets on the basis of the current estimate of contractual cash flows not expected to be collected on financial assets held at the reporting date. This impairment would be reflected as an allowance for expected credit losses. The proposed amendments would remove the existing “probable” threshold in U.S. GAAP for recognizing credit losses and broaden the range of information that must be considered in measuring the allowance for expected credit losses. More specifically, the estimate of expected credit losses would be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectibility of the assets’ remaining contractual cash flows. An estimate of expected credit losses would always reflect both the possibility that a credit loss results and the possibility that no credit loss results. Accordingly, the proposed amendments would prohibit an entity from estimating expected credit losses solely on the basis of the most likely outcome (that is, the statistical mode).

As a result of the proposed amendments, financial assets carried at amortized cost less an allowance would reflect the current estimate of the cash flows expected to be collected at the reporting date, and the income statement would reflect credit deterioration (or improvement) that has taken place during the period. For financial assets measured at fair value with changes in fair value recognized through other comprehensive income, the balance sheet would reflect the fair value, but the income statement would reflect credit deterioration (or improvement) that has taken place during the period. An entity, however, may choose to not recognize expected credit losses on financial assets measured at fair value, with changes in fair value recognized through other comprehensive income, if both (1) the fair value of the financial asset is greater than (or equal to) the amortized cost basis and (2) expected credit losses on the financial asset are insignificant.

**Effective Date:** The Board will establish the effective date of the requirements when it issues the final amendments. An entity would apply the proposed amendments by means of a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective.

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## **Proposed Accounting Standards Update – *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities***

**Issued:** November 26, 2012

**Comment Deadline:** December 21, 2012

**Summary:** The amendments in this proposed Update would clarify that the scope of Update 2011-11<sup>a</sup> disclosures would only apply to recognized derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing securities lending transactions that are i) either offset in accordance with Section 210-20-45 or subject to a master netting arrangement or similar agreement, or ii) not offset.

**Effective Date:** The proposed amendments would require an entity to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity would provide the required disclosures retrospectively for all comparative periods presented. The proposed effective date is consistent with the effective date in Update 2011-11.

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## **Proposed Accounting Standards Update, *Consolidation (Topic 810): Accounting for the Difference between the Fair Value of the Assets and the Fair Value of the Liabilities of a Consolidated Collateralized Financing Entity (a consensus of the FASB Emerging Issues Task Force)***

**Issued:** October 11, 2012

**Comment Deadline:** December 10, 2012

**Summary:** The amendments in this proposed Update would define a collateralized financing entity as an entity that holds debt instruments, issues beneficial interests in those financial assets, and has no equity. All of the beneficial interests are financial liabilities that only have recourse to the related financial assets of the collateralized financing entity. The amendments in this proposed Update would require a reporting entity that measures the financial assets and financial liabilities of a collateralized financing entity at fair value to determine the fair value of the collateralized financing entity'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 reporting entity would allocate the fair value of the portfolio to the individual financial assets or financial liabilities on a reasonable and consistent basis using a methodology appropriate in the circumstances in accordance with paragraph 820-10-35-18F.

**Effective Date:** The amendments in this proposed Update would be applied using a modified retrospective approach to only those consolidated collateralized financing entities that exist as of the date of adoption. Adjustments to the financial assets and financial liabilities of those consolidated collateralized financing entities would be made to all relevant prior periods presented upon the date of adoption, beginning from the fiscal year in which FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*, was initially adopted. Reporting entities would also be permitted to apply the proposed amendments retrospectively to all consolidated collateralized financing entities by adjusting the financial assets and financial liabilities of all relevant prior periods presented upon the date of adoption, beginning from the fiscal year in which Statement 167 was initially adopted. Early adoption would be permitted. The effective date will be determined after the Task Force considers stakeholder feedback on the proposed Update.

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<sup>a</sup> *Disclosures about Offsetting Assets and Liabilities*

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## Proposed Accounting Standards Update, *Foreign Currency Matters (Topic 830): 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)

**Issued:** October 11, 2012

**Comment Deadline:** December 10, 2012

**Summary:** When a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) *within* a consolidated foreign entity, the parent would be required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment would be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided.

For an equity method investment that is a foreign entity, the partial sale guidance in Section 830-30-40 still applies. As such, a pro rata portion of the cumulative translation adjustment would be released into net income upon a partial sale of such an equity method investment. However, this treatment would not apply to an equity method investment that is not a foreign entity. In those instances, the partial sale would have to represent the complete or substantially complete liquidation of the foreign entity that contains the equity method investment in order for the cumulative translation adjustment to be released into net income.

Additionally, the amendments in this proposed Update would clarify that the sale of an investment *in* a foreign entity includes both (1) events that result in the loss of a controlling financial interest in a foreign entity (that is, irrespective of any retained investment) and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date (sometimes also referred to as a step acquisition). Accordingly, the cumulative translation adjustment would be released into net income upon the occurrence of those events.

The proposed Update contains a flow chart illustrating when the cumulative translation adjustment would be released into net income as described by the proposed amendments.

**Effective Date:** The amendments in this proposed Update would be applied prospectively to derecognition events occurring after the effective date. Prior periods would not be adjusted. Early adoption would be permitted. If an entity elects to early adopt the amendments, it would apply them as of the beginning of the entity's fiscal year of adoption. The effective date will be determined after the Task Force considers stakeholder feedback on the proposed Update.

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## OTHER ACTIVITIES

The following section provides high level summaries of other relevant FASB 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.

## Update on International Convergence

The FASB and the IASB continue their efforts on a number of joint projects, including revenue recognition, financial instruments, leases, insurance and other projects. In their October and November 2012 Board Meetings, the FASB and IASB made a number of key decisions and are detailed below by topic.

*Revenue* - The Boards tentatively decided that the revenue standard should state that the objective of the constraint on revenue recognition is for an entity to recognize revenue at an amount that should not be subject to significant revenue reversals that might arise from subsequent changes in the estimate of the amount of variable consideration to which the entity is entitled. In a separate decision, the Boards decided that an entity should assess the nature of the promise for a license before applying the revenue recognition model to a license arrangement. The Board provided guidance regarding the nature of the promise in a license. More information is available on both topics on the Revenue Recognition project page: [http://www.fasb.org/cs/ContentServer?c=FASBContent\\_C&pagename=FASB%2FFASBContent\\_C%2FProjectUpdatePage&cid=900000011146#decisions](http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FProjectUpdatePage&cid=900000011146#decisions)

*Financial Instruments - Impairment Model* - The FASB has developed an impairment model, known as the Current Expected Credit Loss (CECL) model. It simplifies the prior three bucket approach that the FASB and IASB had jointly discussed by requiring only a single estimate of the current amount of expected credit losses, which makes the issue of transferring financial assets between buckets moot. There is also no recognition threshold for recording future losses. The information used to develop the estimate would, at a minimum, contemplate at least two possible outcomes, including (1) an outcome in which a credit loss results and (2) an outcome in which no credit loss results. The estimate would be based on all relevant internal and external information, including past events, current conditions and reasonable and supportable forecasts. The CECL model was released for public comment on Dec. 20, 2012, and comments are due by April 30, 2013. In November 2012, the FASB hosted an educational webcast addressing the proposed Current Expected Credit Loss Model. The archived webcast is available at: <http://www.fasb.org/cs/ContentServer?c=Page&pagename=FASB%2FPage%2FSectionPage&cid=1176160480758>.

More information is available on the Financial Instruments - Impairment page:

[http://www.fasb.org/cs/ContentServer?site=FASB&c=FASBContent\\_C&pagename=FASB%2FFASBContent\\_C%2FProjectUpdatePage&cid=1176159268094](http://www.fasb.org/cs/ContentServer?site=FASB&c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FProjectUpdatePage&cid=1176159268094) The IASB is expected to issue its credit impairment proposal with the three bucket model for comments in early 2013.

*Financial Instruments - Classification and Measurement* - In December the FASB decided to move forward and draft a proposed ASU. The exposure draft generally provides for financial instruments to be recorded at fair value through net incomes, but would permit, in specific circumstances, financial instruments to be recorded at fair value through other comprehensive income or amortized cost. The contractual cash flow characteristics and the entity's business strategy would be considerations for the measurement. More information is available on these topics on the Financial Instruments - Classification and Measurement page:

[http://www.fasb.org/cs/ContentServer?site=FASB&c=FASBContent\\_C&pagename=FASB%2FFASBContent\\_C%2FProjectUpdatePage&cid=1176159267718#decisions](http://www.fasb.org/cs/ContentServer?site=FASB&c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FProjectUpdatePage&cid=1176159267718#decisions) The IASB issued its exposure draft on proposed amendments to IFRS 9 in December. The two exposure drafts bring the proposed guidance related to classification and measurement of financial instruments much closer together.

*Insurance* - The Boards continued their joint discussions of insurance contracts by discussing the discount rates for components of contracts cash flows that are not subject to the "mirroring approach" but are affected by expected asset returns. The Boards tentatively decided that, for these cash flows, the discount rates that reflect the characteristics of the contract's cash flows should reflect the extent to which the estimated cash flows are affected by the return from those assets. The Boards also tentatively decided that, for these cash flows, upon any change in expectations of those cash flows (for example, the credit rating) used to measure the insurance contracts liability, an insurer should reset the locked-in discount rates that are used to present interest expense for those cash flows. More information is available on the insurance contracts page:

[http://www.fasb.org/cs/ContentServer?c=FASBContent\\_C&pagename=FASB%2FFASBContent\\_C%2FProjectUpdatePage&cid=1175801889812#decisions](http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FProjectUpdatePage&cid=1175801889812#decisions)

In July 2012, the Boards jointly hosted an educational webcast to provide an update on the joint project regarding accounting for leases. The Boards intend to publish a revised exposure draft on leases in the first half of 2013. More information is available on the leases project page:

[http://www.fasb.org/cs/ContentServer?c=FASBContent\\_C&pagename=FASB%2FFASBContent\\_C%2FProjectUpdatePage&cid=900000011123#%23](http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FProjectUpdatePage&cid=900000011123#%23).

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>. In addition, refer to BDO's Ac'sense podcast: *Quarterly Technical Update (Q4 2012)*<sup>b</sup> available at: <http://www.bdo.com/acsense/events/Q42012.aspx>.

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## Update on Private Company Decision-Making Framework

**Summary of Current Developments:** In December 2012, the Private Company Council (PCC) had its inaugural meeting at which it identified four areas to research for agenda consideration. The areas involve consolidation of variable interest entities; accounting for “plain vanilla” interest rate swaps; accounting for uncertain tax positions; and recognizing and measuring, at fair value, various intangible assets (other than goodwill) acquired in business combinations. More information is available in the press release:

[http://www.accountingfoundation.org/cs/ContentServer?c=FAFContent\\_C&pagename=Foundation%2FFAFContent\\_C%2FFAFNewsPage&cid=1176160556462](http://www.accountingfoundation.org/cs/ContentServer?c=FAFContent_C&pagename=Foundation%2FFAFContent_C%2FFAFNewsPage&cid=1176160556462)

**Background:** In May 2012, the FAF established the PCC to improve the standards-setting process in U.S. GAAP for private companies. Its purpose will be 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 September 2012, the Financial Accounting Foundation (FAF) announced the appointment of the chair and members of the Private Company Council (PCC). Billy Atkinson, former chairman of the National Association of State Boards of Accountancy (NASBA), will serve as chairman of the PCC. Nine additional members were appointed. 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. The Staff Paper outlines an approach for deciding whether and when to modify U.S. GAAP for private companies. The ultimate objective of the project is to develop a decision-making framework for the FASB and the PCC to use in determining whether and in what circumstances to adjust recognition, measurement, disclosure, display (presentation), effective date, or transition requirements for private companies reporting under U.S. GAAP. The framework is not intended to be an entirely new conceptual framework that would lead to a basis for preparing financial statements of private companies that is fundamentally different from the basis for preparing financial statements of public companies. Rather, development of a decision-making framework for private company financial statements is intended to identify differential information needs of users of public company financial statements and users of private company financial statements and to identify opportunities to reduce the complexity and costs of preparing financial statements in accordance with U.S. GAAP.

BDO offered thoughts in its recent comment letter on the FASB Staff's whitepaper related to the Private Company Framework: <http://www.bdo.com/download/2334>.

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## Update on Disclosure Framework

**Recent Developments:** In December 2012, the FASB in conjunction with the Center for Audit Quality (CAQ), issued a summary of observations from two forums on disclosure effectiveness. The forums were designed to encourage dialogue among a wide range

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of financial reporting stakeholders, including a BDO representative, on improving the effectiveness of disclosures in notes to financial statements and other parts of the financial reporting package. More information is available in the press release:

[http://www.fasb.org/cs/ContentServer?c=FASBContent\\_C&pagename=FASB%2FFASBContent\\_C%2FNewsPage&cid=1176160567831](http://www.fasb.org/cs/ContentServer?c=FASBContent_C&pagename=FASB%2FFASBContent_C%2FNewsPage&cid=1176160567831)

**Background:** During the June 2012 Compliance Week Annual Conference, FASB Chairman Leslie Seidman discussed the FASB’s plans to unveil proposals aimed at reducing “disclosure overload” through establishment of a disclosure framework designed to improve disclosure quality and effectiveness and make financial statements more understandable. 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 - Third Quarter 2012 edition* available at: <http://www.bdo.com/download/2290> and BDO’s *Significant Accounting and Reporting Matters - Second Quarter 2012 edition* available at: <http://www.bdo.com/download/2153>.

# ► PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

## FINAL PCAOB GUIDANCE

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

### Auditing Standard (AS) No. 16, *Communications with Audit Committees*, and transitional and related amendments to other PCAOB standards

**Issued:** August 15, 2012

**Summary:** AS 16 largely retains current guidance contained in AU 380, *Communication with Audit Committees*, and does not impose any new performance requirements (i.e., audit procedures) on the auditor. Rather, it expands and/or enhances requirements emphasizing the relevance, timeliness and quality of the communications between the auditor and the audit committee while better aligning auditing standards with the requirements of the Sarbanes-Oxley Act of 2002 to facilitate audit committees' financial reporting oversight, thus fostering improved financial reporting.

**Effective Date:** AS 16 supersedes the PCAOB's interim auditing standards AU 310, *Appointment of the Independent Auditor*, and AU 380, and also amends other PCAOB standards. The standard and amendments include an effective date for public company audits of fiscal periods beginning after December 15, 2012. The SEC granted approval of AS 16 and its related amendments in December for all public company audits, including those of emerging growth companies. The Commission determined that emerging growth companies should not be exempt from the standard and its related amendments as the provisions are necessary and appropriate in the public interest, after considering the protection of investors and whether the action will promote efficiency, competition, and capital formation.

For additional information on AS 16, refer to:

- BDO Flash Report: *PCAOB Issues Auditing Standard No. 16, Communications with Audit Committees*  
<http://www.bdo.com/download/2231>
- BDO Ac'sense Podcast and Self Study Course: *Board Matters Quarterly Update (Q3 2012)*  
<http://www.bdo.com/acsense/boardmattersQ32012/>

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## OTHER ACTIVITIES

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

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### Project on Auditor Independence and Audit Firm Rotation

During 2012, the PCAOB held three public meetings to obtain input on its concept release on auditor independence and audit firm rotation, which the Board originally issued on August 16, 2011. The public meetings were meant to supplement the views of those stakeholders that provided comment letters to the PCAOB on this topic. The PCAOB received more than 600 comment letters, primarily from auditors and preparers. The comment letters on the whole suggested that the PCAOB take additional time to study the issue and in general suggested more modest reforms than those proposed in the concept release. The transcripts of the public meetings are available at: <http://pcaobus.org/Rules/Rulemaking/Pages/Docket037.aspx>.

At the 2012 AICPA Conference on SEC and PCAOB Developments, PCAOB member Jay Hanson publicly voiced his doubts about whether a mandatory firm rotation standard would ever be finalized, primarily because the PCAOB has yet to establish a link between tenure and audit quality. Therefore, the future of the concept release on mandatory firm rotation is uncertain and interested constituents should stay tuned for further developments.

# ▶ 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 in the fourth 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 in the fourth quarter.*

## OTHER ACTIVITIES

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

### SEC Approval of PCAOB Auditing Standard No. 16

**Summary:** In December, the SEC approved PCAOB Auditing Standard No. 16. Refer to the PCAOB section above for the overview of AS No. 16 and its applicability to all of the audits of SEC-reporting companies (including emerging growth companies).

### Conflict Minerals

**Summary:** In August, the SEC adopted Exchange Act Rule 13p-1, which requires disclosures mandated by Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The new rule requires companies to determine and publicly disclose on an annual basis whether their products were manufactured using certain minerals, designated as “conflict minerals,” that originated in the Democratic Republic of the Congo (DRC) or adjoining countries. If so, an issuer is required to provide a report describing the measures taken to determine whether the minerals financed or benefited armed groups in the region and its conclusions. The process surrounding the assertions made on the report is required to be audited.

Conflict minerals are defined as cassiterite, columbite-tantalite, gold, wolframite, and their derivatives (tantalum, tin, and tungsten). Due to the many uses of these minerals (e.g., soldering, electronics, etc.), this rule will likely impact many companies in many industries.

Under Section 1502 of the Act, the Government Accountability Office (GAO) is responsible for establishing standards for the audit. The GAO plans to look to its existing Generally Accepted Government Auditing Standards (GAGAS), which are commonly referred to as the “Yellow Book.” The auditor of a registrant’s financial statements can perform an audit of the registrant’s Conflict Minerals Report without impairing its independence. If the auditor of the registrant’s financial statements is to perform this service, this, of course, needs to be pre-approved by the registrant’s audit committee.

For additional information, refer to BDO’s Flash Report on the rule, accessible at: <http://www.bdo.com/download/2256>.

**Effective Date:** Reporting is required on a calendar year basis regardless of an issuer’s fiscal year end and is due by May 31st of the following year. The first report will cover the 2013 calendar year and is due on May 31, 2014. Some transitional relief is provided for the first two years for all issuers and the first four years for smaller reporting companies.

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## The Jumpstart Our Business Startups Act

**Summary:** On April 5, 2012, President Obama signed the Jumpstart Our Business Startups (JOBS) Act into law. A primary goal of the JOBS Act is to improve small companies’ access to capital. The Act amended the securities laws to ease the process and costs associated with raising capital. To facilitate initial public offerings of equity securities, Title I of the JOBS Act created a new category of filers called emerging growth companies (EGCs) which are entitled to certain reporting reliefs. Since the Act was signed into law, the SEC staff has issued several sets of frequently asked questions to assist companies with the application of the Act’s provisions, which are available at: <http://www.sec.gov/divisions/corpfin/guidance/cfjjobsactfaq-title-i-general.htm>.

For more information, refer to the following BDO publications and archived webcasts on the JOBS Act:

- BDO Knows Newsletter: *The Jumpstart Our Business Startups Act*  
<http://www.bdo.com/download/2054>
- BDO Knows Newsletter: *SEC Year in Review*  
<http://www.bdo.com/download/2406>
- BDO Flash Report: *SEC Staff Announcements at the AICPA National Conference on Current SEC and PCAOB Developments That Could Have Immediate Effects on Practice*  
<http://www.bdo.com/download/2376>
- BDO Flash Report: *Emerging Growth Company Status and Accounting Policy Elections*  
<http://www.bdo.com/download/2075>
- Ac’sense Self Study Course: *Quarterly Technical Update—Q4 2012 (January 2013)*<sup>c</sup>  
<http://www.bdo.com/acsense/events/Q42012.aspx>
- Ac’sense Self Study Course: *Quarterly Technical Update—Q3 2012 (October 2012)*  
<http://www.bdo.com/acsense/events/Q32012.aspx>
- Ac’sense Self Study Course: *Quarterly Technical Update—Q2 2012 (June 2012)*

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<sup>c</sup> Expected to be released as a self-study course in mid-January 2013.

<http://www.bdo.com/acsense/events/Q22012.aspx>

- Ac’sense Self Study Course: *2012 JOBS Act—Implications and Considerations (May 2012)*  
<http://www.bdo.com/acsense/events/JOBSAct.aspx>
- Ac’sense Self Study Course: *Quarterly Technical Update—Q1 2012 (April 2012)*  
<http://www.bdo.com/acsense/events/Q12012.aspx>

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## The Iran Threat Reduction and Syria Human Rights Act

The Iran Threat Reduction and Syria Human Rights Act of 2012 was signed into law on August 10, 2012. Among other things, the law creates Section 13(r) of the Exchange Act, which requires SEC registrants to disclose certain activities that they and their affiliates have engaged in related to Iran in the periodic reports they file with the SEC. The transactions and activities required to be disclosed include matters such as supporting terrorist activities, involvement in the development of weapons of mass destruction, activities that facilitate Iran’s development, production and exportation of petroleum, and any transaction with the government of Iran that is not specifically authorized by a federal department or agency.

The law is available at <http://www.govtrack.us/congress/bills/112/hr1905/text>. The provisions requiring disclosure in SEC filings become effective for reports due on or after February 6, 2013. Because the list of covered activities and the definition of “affiliate” are broad, companies may be surprised to find, after consultation with legal counsel, that they must report activities to comply with Section 13(r).

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## Update on Work Plan for Global Accounting Standards

**Summary:** In July 2012, the SEC staff issued its Final Staff Report on the Work Plan to support a Commission decision on deciding whether, and if so, how and when, to incorporate IFRS into financial reporting for domestic issuers. The Report summarizes the staff’s efforts and observations that should be taken into consideration by the Commission when making its decision. The Report did not answer the question of whether transitioning to IFRS is in the best interest of U.S. securities markets or investors or make a recommendation to the Commission. The Commissioners have not publicly expressed their views on the Report’s observations.

At the 2012 AICPA Conference on SEC and PCAOB Developments, the staff indicated that it had finished the work it was asked to do under the Work Plan and is waiting for further instruction from the Commission. When discussing this topic at the Conference, the SEC’s acting chief accountant, Paul Beswick, told attendees he hopes that at this time next year we will have a better indication of the path the Commission plans to take and to “please stay tuned.”

For more information on the Final Staff report, refer to the BDO Flash Report: *SEC Staff Publishes Final Staff Report on Incorporating IFRS into the Financial Reporting System for US Domestic Issuers* available at: <http://www.bdo.com/download/2300>.

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## SEC Staff Guidance from the AICPA National Conference on Current SEC and PCAOB Developments

**Summary:** The SEC staff discussed a variety of topics at the AICPA National Conference on Current SEC and PCAOB Developments held in December 2012. The discussions covered rules and regulations as well as accounting topics. The rules and regulations discussions focused on the following items:

1. Auditor Considerations
2. Banking and Insurance Issues
3. Cybersecurity
4. Guarantor Financial Information

5. The JOBS Act
6. Management's Discussion and Analysis
7. Non-GAAP Measures
8. Pro Forma Financial Information
9. Filing Review Procedures

The accounting topics discussed focused on the following items:

1. Consolidation - VIEs and Consolidation
2. Goodwill Impairment
3. FASB/IASB Convergence Projects
4. IFRS Work Plan
5. Income Taxes - Valuation Allowance
6. Loss Contingencies
7. Revenue Recognition - Multiple-Element Arrangements
8. Segment Reporting

A more comprehensive report on the Conference will be provided in an upcoming BDO Knows Newsletter. Additionally, an SEC Flash Report published in December (available at <http://www.bdo.com/download/2376>) communicates issues from the Conference that may have immediate practice implications for certain clients, particularly for those that qualify as emerging growth companies or those reporting pro forma financial information.

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## Leadership Departures

The SEC experienced significant leadership departures in the fourth quarter of 2012. Most notably, Chairman Mary Schapiro left the Commission in December, and President Obama designated Commissioner Elisse Walter, whose term expires in 2013, as the Chairman. Following the announcement of Chairman Schapiro's resignation, several senior staff members resigned, including the Division Director of Corporation Finance, Meredith Cross. Chairman Walter took action to fill several positions naming Paul Beswick as Chief Accountant and appointing acting division directors. The departure of Chairman Schapiro leaves a Commission that is split politically, with two Democrats and two Republicans. As Commissioners from each party generally vote the same way, and have been deeply divided on certain issues in 2012, it may be difficult for the Commission to complete rulemaking until the fifth seat on the Commission is filled.

# ▶ 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*.

### *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

**Issued:** October 2012

**Summary:** The amendments apply to a particular class of business that qualifies as investment entities. The IASB uses the term ‘investment entity’ to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.

Under IFRS 10 *Consolidated Financial Statements*, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the *Investment Entities* amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

**Effective Date:** The amendments are effective from January 1, 2014 with early adoption permitted. This is one year later than the January 1, 2013 effective date of IFRS 10, but the IASB has permitted early adoption in order to allow investment entities to apply the *Investment Entities* amendments at the same time they first apply the rest of IFRS 10.

## PROPOSED IASB GUIDANCE

The following is a summary of all proposed guidance that was issued or was 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 – Acquisition of an Interest in a Joint Operation (Proposed amendment to IFRS 11)*

**Issued:** December 13, 2012

**Comment Deadline:** The IASB requests comments on these proposals by April 23, 2013.

**Summary:** IFRS 11 does not give explicit guidance on the accounting for acquisitions of interests in joint operations. The objective of the proposed amendment is to add new guidance to IFRS 11 on accounting for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 *Business Combinations*.

The IASB proposes that acquirers of such interests shall apply the relevant principles on business combination accounting in IFRS 3 and other Standards, and disclose the relevant information specified in these Standards for business combinations.

**Effective Date:** The amendments in this proposed IFRS would be applied for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

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### Exposure Draft – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Proposed amendments to IFRS 10 and IAS 28)

**Issued:** December 13, 2012

**Comment Deadline:** The IASB requests comments on these proposals by April 23, 2013.

**Summary:** The objective of the proposed amendments is to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of a subsidiary. The main consequence of the proposed amendments is that a full gain or loss would be recognized on the loss of control of a business (whether it is housed in a subsidiary or not), including cases in which the investor retains joint control of, or significant influence over, the investee.

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### Exposure Draft - Clarification of Acceptable Methods of Depreciation and Amortization (Proposed amendments to IAS 16 and IAS 38)

**Issued:** December 4, 2012

**Comment Deadline:** The IASB requests comments on these proposals by April 2, 2013.

**Summary:** The objective of the proposed amendments is to ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortization of items of property, plant and equipment or intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.

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### Exposure Draft Classification and Measurement: Limited Amendments to IFRS 9

**Issued:** November 28, 2012

**Comment Deadline:** The IASB requests comments on these proposals by March 28, 2013.

**Summary:** This Exposure Draft proposes limited amendments to IFRS 9 (2010) to clarify the existing classification and measurement requirements and to introduce a fair value through other comprehensive income (OCI) measurement category for particular financial assets that contain contractual cash flows that are solely payments of principal and interest.

**Effective Date:** The amendments in this proposed IFRS would be applied for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

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## Exposure Draft Equity Method: Share of Other Net Asset Changes (Proposed Amendments to IAS 28)

**Issued:** November 22, 2012

**Comment Deadline:** The IASB requests comments on these proposals by March 22, 2013.

**Summary:** This exposure draft proposes amendments to four different IFRSs utilizing a streamlined process for dealing efficiently with a collection of non-urgent amendments to IFRSs. These amendments include addressing meaning of effective IFRSs in IFRS 1 First-time Adoption of International Financial Reporting Standards; Scope exceptions for joint ventures in IFRS 3 Business Combinations; Scope of paragraph 52 (portfolio exception) in IFRS 13 Fair Value Measurement and Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 when classifying property as investment property or owner-occupied property.

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## Exposure Draft Annual Improvements to IFRSs 2011-2013 Cycle

**Issued:** November 22, 2012

**Comment Deadline:** The IASB requests comments on these proposals by February 18, 2013.

**Summary:** The annual improvements project proposes amendments to 1) IFRS 1 to clarify the meaning of effective IFRSs for the initial adoption of IFRS. New IFRSs that are not yet mandatory, but permit early adoption are permitted, but not required to be used in an entities initial adoption of IFRS, but those standards would be required to be used consistently for all periods unless some type of exemption exists in the IFRS; 2) IFRS 3 to include a scope exception for the formation of all types of joint arrangements in the financial statements of the joint arrangement; 3) IFRS 13 to clarify, in paragraph 52, that the portfolio exception for accounting for a group of financial assets and liabilities on a net basis at fair value to include all contracts within the scope of IAS 39 or IFRS 9; and 4) IAS 40 to clarify that judgment is required to determine whether the acquisition of investment property is an asset, group of assets or business combination under IFRS 3 and that the guidance in IFRS 3 should be used to make that judgment.

**Effective Date:** The amendments in this proposed IFRS would be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors for annual periods beginning on or after 1 January 2014.

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## 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.

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### Updates on IASB Public Consultation on Future Work Program

**Summary:** In December the International Accounting Standards Board (IASB) released a Feedback Statement mapping out future priorities based on the conclusion of a three year public consultation. Five broad themes emerged from responses to the public consultation. First, respondents asked that a decade of almost continuous change in financial reporting should be followed by a period of relative calm. Second, there was almost unanimous support for the IASB to prioritize work on the Conceptual Framework, which would provide a consistent and practical basis for standard setting. Third, the IASB was asked to make some targeted improvements that respond to the needs of new adopters of IFRSs. Fourth, the IASB was asked to pay greater attention to the implementation and maintenance of the Standards. Finally, the IASB was asked to improve the way in which the IASB develops new Standards, by conducting more rigorous cost-benefit analysis and problem definition earlier on in the standard-setting process.

**Background:** In July 2011, the IASB launched a public consultation to seek broad public input on the strategic direction and overall balance of its future work program. The consultation document published asked deliberately open questions to gather views on the IASB's future work program from all those involved in or affected by financial reporting. In particular, the IASB was seeking feedback on how it should balance the development of financial reporting with the maintenance of IFRS and—with consideration of time and resource constraints—those areas of financial reporting that should be given the highest priority for further improvement. The consultation period on the future work program of the IASB closed on November 30, 2011. The Feedback Statement is available at:

<http://www.ifrs.org/Current-Projects/IASB-Projects/IASB-agenda-consultation/Documents/Feedback-Statement-Agenda-Consultation-Dec-2012.pdf>

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## IFRS to host a public Disclosure Forum

**Summary:** In November 2012, the IFRS Foundation announced it will host a public Disclosure Forum to consider the challenging area of disclosure overload. The Forum will bring together parties with an interest in financial report disclosures (including investors, preparers, auditors, regulators and standard setters) to get a better understanding of the issues related to disclosure overload, and where and how improvements can be made. It will include presentations from invited speakers as well as panel and open discussions, and will discuss the current state of financial report disclosures, identifying and understanding the main concerns preparers, auditors, regulators and users have about disclosures in financial reports, and their possible causes, identifying potential ways that entities can improve the clarity of financial reports within the context of the current IFRS requirements; and providing input into the disclosure and presentation sections of the IASB's Conceptual Framework project.

The Forum will be held on January 28, 2013. More information is available in the IFRS Foundation press release at: <http://www.ifrs.org/Alerts/PressRelease/Pages/IASB-hosts-public-forum-to-discuss-disclosure-overload.aspx>

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## IFRS Foundation Proposal to Create an Accounting Standards Advisory Forum

**Summary:** In November 2012, the IFRS Foundation published a comment paper that proposes the creation of a new advisory group to the IASB. This would consist of national accounting standard-setters and regional bodies with an interest in financial reporting. The creation of such an advisory group was one of the main recommendations of the Trustees' strategy review that was published in February 2012.

The principle purpose of the proposed Accounting Standards Advisory Forum (ASAF) would be to provide technical advice and feedback to the IASB, resulting in more streamlined and effective dialogue between the IASB and this important group of stakeholders from the standard-setting community. It is envisaged that much of the existing bilateral dialogue between the IASB and major national standard-setters and regional bodies will be subsumed into the activities of the Forum.

The comment period ended December 17, 2012. More information is available in the IFRS Foundation press release at: <http://www.ifrs.org/Alerts/Governance/Pages/IFRS-Foundation-proposals-for-Accounting-Standards-Advisory-Forum.aspx>.

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## 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 2011 have been included since many companies applied them for the first time in 2012, e.g., the first interim or annual period beginning on or after Dec. 15, 2011. Standards that do not require adoption before 2013 are highlighted in gray.

**NEW!** For a practice aid on the effective dates of new IFRS pronouncements, refer to:

<http://www.bdo.com/ifrs/practice.aspx>

PRONOUNCEMENT	EFFECTIVE DATE
<b>ASC 210, Balance Sheet</b>	
<b>ASU 2011-11</b> , <i>Disclosures about Offsetting Assets and Liabilities</i>	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.
<b>ASC 220, Comprehensive Income</b>	
<b>ASU 2011-12</b> , <i>Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-5</i>	For public entities, effective for interim and annual periods beginning after 12/15/2011. For nonpublic entities, effective for fiscal years ending after 12/15/2012, and interim and annual periods thereafter. Retrospective adoption is required.  The amendments in ASU 2011-12 are effective simultaneously with ASU 2011-5.
<b>ASU 2011-05</b> , <i>Presentation of Comprehensive Income</i>	For public entities, effective for interim and annual periods beginning after 12/15/2011. For nonpublic entities, effective for fiscal years ending after 12/15/2012, and interim and annual periods thereafter. Retrospective adoption is required.  Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures.

PRONOUNCEMENT	EFFECTIVE DATE
<b>ASC 230, Statement of Cash Flows</b>	
<b>ASU 2012-05</b> , <i>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)</i>	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.
<b>ASC 310, Receivables</b>	
<b>ASU 2011-02</b> , <i>A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring</i>	Effective for public entities for the first interim or annual period beginning on or after 6/15/2011, and should be applied retrospectively to modifications occurring on or after the beginning of the annual period of adoption. Effective for nonpublic entities for annual periods ending on or after 12/15/2012, including interim periods within those annual periods. Early adoption is permitted for public and nonpublic entities, with certain stipulations for nonpublic entities.
<b>ASU 2011-01</b> , <i>Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20</i>	ASU 2011-01 temporarily delayed the effective date of ASU 2010-20 for public companies, while the Board completed its deliberations on what constitutes a TDR for a creditor. See ASU 2011-02 for current effective date requirements.
<b>ASU 2010-20</b> , <i>Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses</i>	<p>For public entities, disclosures at period end are effective for interim and annual reporting periods ending on or after 12/15/10. Disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after 12/15/10.</p> <p>For nonpublic entities, the disclosures required by ASU 2010-20 are effective for annual reporting periods ending on or after 12/15/2011.</p>
<b>ASC 350, Intangibles—Goodwill and Other</b>	
<b>ASU 2012-02</b> , <i>Testing Indefinite-Lived Intangible Assets for Impairment</i>	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.

PRONOUNCEMENT	EFFECTIVE DATE
ASU 2011-08, <i>Testing Goodwill for Impairment</i>	Effective for annual and interim goodwill impairment tests performed for fiscal years beginning after 12/15/2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before 9/15/2011, 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.
ASU 2010-28, <i>When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts</i>	Effective for public entities for fiscal years, and interim periods within those years, beginning after 12/15/2010. Early adoption is not permitted. Effective for nonpublic entities for fiscal years, and interim periods within those years, beginning after 12/15/2011. Nonpublic entities may elect early adoption using the same effective date as public entities.
<b>ASC 360, Property, Plant, and Equipment</b>	
ASU 2011-10, <i>Derecognition of in Substance Real Estate—a Scope Clarification (a consensus of the FASB Emerging Issues Task Force)</i>	<p>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.</p> <p>For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. For nonpublic entities, the amendments are effective for fiscal years ending after Dec. 15, 2013, and interim and annual periods thereafter. Early adoption is permitted.</p>
<b>ASC 715, Compensation</b>	
ASU 2011-09, <i>Compensation—Retirement Benefits—Multiemployer Plans (Subtopic 715-80): Disclosures about an Employer's Participation in a Multiemployer Plan</i>	For public entities, effective for annual periods for fiscal years ending after Dec. 15, 2011, with early adoption permitted. For nonpublic entities, effective for annual periods for fiscal years ending after Dec. 15, 2012, with early adoption permitted. The amendments should be applied retrospectively for all prior periods presented.
<b>ASC 720, Other Expenses</b>	
ASU 2011-06, <i>Fees Paid to the Federal Government by Health Insurers (a consensus of the FASB Emerging Issues Task Force)</i>	Effective for calendar years beginning after Dec. 31, 2013, when the fee initially becomes effective.

PRONOUNCEMENT	EFFECTIVE DATE
<b>ASC 805, Business Combinations</b>	
<p><b>ASU 2012-06</b>, <i>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)</i></p>	<p>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.</p> <p>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.</p>
<b>ASC 820, Fair Value Measurements and Disclosures</b>	
<p><b>ASU 2011-04</b>, <i>Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs</i></p>	<p>The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after 12/15/2011; early application is not permitted. For nonpublic entities, the amendments are effective for annual periods beginning after 12/15/2011. Nonpublic entities may apply the amendments in this Update early, but no earlier than for interim periods beginning after 12/15/2011.</p>
<b>ASC 860, Transfers and Servicing</b>	
<p><b>ASU 2011-03</b>, <i>Reconsideration of Effective Control for Repurchase Agreements</i></p>	<p>Effective for all entities, both public and nonpublic, for the first interim or annual period beginning on or after 12/15/2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted</p>
<b>ASC 926, Entertainment—Films</b>	
<p><b>ASU 2012-07</b>, <i>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)</i></p>	<p>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.</p>

PRONOUNCEMENT	EFFECTIVE DATE
<b>ASC 944, Financial Services – Insurance</b>	
<b>ASU 2010-26</b> , <i>Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts</i>	Effective for fiscal years, and interim periods within those fiscal years, beginning after 12/15/2011 through prospective adoption. Retrospective application for all periods presented is permitted. Early adoption is permitted, but only at the beginning of an entity's annual reporting period.
<b>ASC 954, Health Care Entities</b>	
<b>ASU 2012-01</b> , <i>Continuing Care Retirement Communities – Refundable Advance Fees</i>	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.
<b>ASU 2011-07</b> , <i>Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities (a consensus of the FASB Emerging Issues Task Force)</i>	Effective for public entities for fiscal years beginning after 12/15/ 2011, and interim periods within those fiscal years. For nonpublic entities, the Issue will be effective for fiscal years ending after 12/15/2012, and interim and annual periods thereafter. Early adoption is permitted. Entities must apply the presentation requirements retrospectively; however, the qualitative and quantitative disclosures are only required to be provided prospectively.
<b>Other</b>	
<b>ASU 2012-03</b> , <i>Technical Amendments and Corrections to SEC Sections, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 114, Technical Amendments Pursuant to SEC Release NO. 33-9250, and Corrections Related to FASB Accounting Standard Update 2010-22</i>	The amendments are effective immediately upon issuance of the Update.
<b>ASU 2012-04</b> , <i>Technical Corrections and Improvements</i>	The amendments in this Update that will not have transition guidance will be 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/>

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## BDO AC'SENSE<sup>SM</sup> UPCOMING WEBINAR EVENTS AND ARCHIVES

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

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### Upcoming Webinars

- **NEW!** Board Matters Quarterly Update Q4 2012 - February 7, 2013  
<http://www.bdo.com/acsense/events/boardmattersQ42012.aspx>

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### Archives

- **NEW!** Quarterly Financial Update - Q4 2012 - January 8, 9, and 10, 2013<sup>d</sup>  
<http://www.bdo.com/acsense/events/Q42012.aspx>
- **NEW!** Gift Tax Exemption - How to Benefit Now- October 25, 2012<sup>d</sup>  
<http://www.bdo.com/acsense/gifttax/>
- **NEW!** 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/>
- Quarterly Financial Update - Q2 2012 - June 26, 27, and 28, 2012  
<http://www.bdo.com/acsense/events/Q22012.aspx>
- 2012 JOBS Act: Implications and Considerations - May 31, 2012  
<http://www.bdo.com/acsense/events/2012IFRSRevRec.aspx>

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<sup>d</sup>Podcast currently available. Expected to be released as self-study courses in mid-January 2013.

- Quarterly Financial Update - Q1 2012 - April 4, 2012  
<http://www.bdo.com/acsense/events/2012IFRSRevRec.aspx>
- Focus on Fraud - Employee Fraud, From Discovery to Recovery - March 20, 2012  
<http://www.bdo.com/acsense/events/2012EmployeeFraud.aspx>
- Institutional Shareholder Services (ISS): New Approach to Evaluating Executive Compensation - February 8, 2012  
<http://www.bdo.com/acsense/events/2012ISSExecComp.aspx>
- FASB Revenue Recognition Exposure Draft Update - January 18, 2012  
<http://www.bdo.com/acsense/events/2012IFRSRevRec.aspx>
- Quarterly Financial Update - Q4 2011 - January 6, 2012  
<http://www.bdo.com/acsense/events/Q42011.aspx>
- Complex Financial Instruments - December 15, 2011  
<http://www.bdo.com/acsense/events/ComplexFinancialInstruments.aspx>
- BDO Board Reflections - 2011 BDO Board Survey Results - December 7, 2011  
<http://www.bdo.com/acsense/events/BoardSurveyResults.aspx>
- Quarterly Financial Update - Q3 2011 - October 5, 2011  
<http://www.bdo.com/acsense/events/Q32011.aspx>
- FCPA Series: Doing Business Abroad - Spotlight on Russia- September 26, 2011  
<http://www.bdo.com/acsense/events/FCPARussia.aspx>
- Focus on Fraud - September 15, 2011  
<http://www.bdo.com/acsense/events/FocusonFraud2011.aspx>
- Effective Audit Committees in the Ever Changing Marketplace - July 21, 2011  
<http://www.bdo.com/acsense/events/EffectiveAuditCommittees.aspx>
- Quarterly Financial Update - Q2 2011 - July 7, 2011  
<http://www.bdo.com/acsense/events/Q22011.aspx>
- Mergers & Acquisitions: Opportunities and Obstacles in a Recovering Marketplace - May 16, 2011  
<http://www.bdo.com/acsense/events/MA.aspx>
- FCPA Series: Doing Business Abroad - Spotlight on China - April 28, 2011  
<http://www.bdo.com/acsense/events/FCPACHina.aspx>
- Quarterly Financial Update - Q1 2011 - April 6, 2011  
<http://www.bdo.com/acsense/events/Q12011.aspx>
- Uncertain Tax Positions - Planning for New IRS Schedule - March 23, 2011  
<http://www.bdo.com/acsense/events/TaxPositions.aspx>
- Executive Compensation: Impact of the Dodd-Frank Act and Next Steps - February 23, 2011  
<http://www.bdo.com/acsense/events/ExecutiveCompensation.aspx>

- Whistleblowing: Responding to the Race to Report - February 3, 2011  
<http://www.bdo.com./acsense/events/Whistleblowing.aspx>
- Quarterly Financial Update - Q4 2010 - January 7, 2011  
<http://www.bdo.com/acsense/events/Q42010.aspx>

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## 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.

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## BDO CLIENT ADVISORIES

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

- 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)
- 2012 BDO IPO Outlook (January 2012)
- 2011 BDO IPO Halftime Report (July 2011)
- Effective Audit Committees in the Ever Changing Marketplace (January 2011; <http://www.bdo.com/acsense/effective.aspx>)
- Effective Audit Committee for Nonprofit Organizations (June 2012; <http://www.bdo.com/download/2127>)

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## 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)
- BDO Knows: The Jumpstart Our Business Startups Act (April 2012)
- BDO Knows: Multiemployer Pension Plans (January 2012)
- Report on 2011 AICPA SEC and PCAOB Conference (January 2012)
- SEC Year in Review - Significant 2011 Developments (January 2012)
- Accounting Year in Review - 2011 (January 2012)
- BDO Knows: Goodwill Impairment (September 2011)
- BDO Knows: Comprehensive Income Newsletter (August 2011)
- BDO Knows: Contingent Consideration (June 2011)

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## BDO IFRS RESOURCE CENTER

<http://www.bdo.com/ifrs/>

Refer to the above website to keep current on the latest developments with regard to IFRS and the practical considerations involved in the convergence toward and implementation of global standards.

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

In addition to several Ac'sense IFRS self-study courses currently available at [www.bdo.com/acsense](http://www.bdo.com/acsense), BDO has expanded its course offerings by building a library of brief IFRS modules on various topics of significant interest, ranging from adoption and implementation to specific accounting topics including financial instruments and income taxes. Additional courses have been added to the library during 2012. Access these courses at: <http://www.bdo.com/ifrs/education.aspx>.

See also:

BDO Flash Report - SEC Staff Publishes Final Staff Report on Incorporating IFRS into the Financial Reporting System for US Domestic Issuers available at: <http://www.bdo.com/download/2300>

BDO Knows: IFRS - SEC's Progress Report on Work Plan for Global Accounting Standards available at: <http://www.bdo.com/download/1508>.

BDO Knows: IFRS - SEC Seeks Comments on Incorporation of IFRS available at: <http://www.bdo.com/download/1442>.