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Weekly Summary

January 23-27, 2012 Edition

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Accounting and SEC Summaries

Year-End Reporting -- New Issue of "A Closer Look" Published

We have prepared and published another edition of “A Closer Look.” In this edition, we summarize the significant accounting, reporting and auditing matters discussed at the 2011 AICPA National Conference on Current SEC and PCAOB Developments held on December 5-7, 2011, in Washington, D.C. This conference included discussion of a number of year-end financial reporting matters to consider for registrants preparing their filings with the SEC. Several of the topics covered will be of interest to private companies as well.

See our Literature Update for complete details.

Intangible Assets -- FASB Issues Proposed Guidance on Indefinite-Lived Intangible Asset Impairment Testing

The FASB has issued for public comment a proposed Accounting Standards Update (ASU), *Intangibles–Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment.* According to the FASB, this proposed ASU would simplify impairment assessment and improve the consistency of testing methods among long-lived asset categories. The FASB is proposing that an entity would have the option to first assess qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events or circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired (i.e., a likelihood of more than 50%), the entity

would not be required to take further action. However, if an entity concludes otherwise, then it would be required to determine the fair value of the indefinite-lived intangible asset and compare the fair value with the carrying amount, as is currently required. An entity also would have the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to calculating its fair value. An entity would be able to resume performing the qualitative assessment in any subsequent period.

The proposal would apply to all public, private and not-for-profit organizations. As proposed, the amendments would be effective for annual and interim impairment tests performed for fiscal years beginning after June 15, 2012. Early adoption would be permitted.

Comments on the proposed ASU are due April 24, 2012.

Pensions -- Defined Benefit Plans and Other Postretirement Benefit Obligations Discussed
We have published a Hot Topic, “Defined Benefit Pension and Other Postretirement Benefit Obligations – Current Trends.” In this year-end publication, we have traditionally discussed the appropriate discount rates companies should use when measuring their defined benefit pension and other postretirement benefit obligations as well as certain other measurement considerations and disclosure requirements. However, due to the continued effect of the changing financial market conditions, we have chosen to again provide additional focus on our discussion of discount rates, rates of return, and market-related value of plan assets. We have included a discussion of other current issues related to employer funding of and accounting for defined benefit and other postretirement benefit plans.

See our Hot Topic for complete details.

International Financial Reporting -- CAQ International Practices Task Force Meeting Minutes Published
The Center for Audit Quality's (CAQ’s) International Practices Task Force (IPTF) has published highlights from its meeting held with the staff of the SEC on November 22, 2011. The IPTF discussed monitoring inflation in certain countries at this meeting. Among other things, this task force concluded that Belarus should be considered having a highly inflationary economy. The meeting minutes also include the following statement, “the SEC staff would not object to registrants treating the economy of Belarus as highly-inflationary no later than the first reporting period beginning after December 15, 2011.”

The IPTF is a task force of the CAQ SEC Regulations Committee which meets periodically with the staff of the SEC that focuses on international emerging technical accounting and reporting issues relating to SEC rules and regulations.

Mine Safety Disclosure -- SEC Staff Publishes Guidance on Mine Safety Disclosure
The SEC staff has published a Small Entity Compliance Guide, “Mine Safety Disclosure.” This guide discusses the SEC’s final rule, *Mine Safety Disclosure,* which implements Section 1503 of the Dodd-Frank Act. Section 1503 requires public companies that are operators, or have a subsidiary that is an operator of a coal or other mine, to disclose certain information about mine health and safety matters in their annual and quarterly reports filed with the SEC. It also requires such companies to file a Form 8-K when they receive certain notices and orders from the Mine Safety and Health Administration.

The amendments in the SEC’s final rule are effective January 27, 2012.

Levies Charged -- IFRS Interpretations Committee Discusses Levies Charged and Other Matters
As reported in its "IFRIC Update" publication, the IFRS Interpretations Committee (IFRIC) met on January 17-18, 2012, and discussed the following topics:

- Current agenda (levies charged for participation in a specific market, put options written over non-controlling interests, and long-term prepayments for inventory supply contracts);
- IFRIC agenda decisions;
- Issues considered for the Annual Improvements Project; and
- Work in progress.

Auditing and Internal Controls Summaries

Health Care Entities -- New Edition of Knowledge-Based Audits of Health Care Entities Published
We have published the 2012 edition of *Knowledge-Based Audits of Health Care Entities*. This publication will help

readers comply with the AICPA's risk assessment standards and has incorporated the Knowledge-Based Audit methodology . This edition of the publication reflects comprehensive coverage of current accounting and auditing authoritative pronouncements through August 2011.

See our Literature Update for complete details.

Enterprise Risk Management -- COSO Issues Thought Paper

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has issued a thought paper, “Enterprise Risk Management -- Understanding and Communicating Risk Appetite.” Enterprise risk management (ERM) is a process for dealing with the risk organizations encounter as they pursue their objectives. “Risk appetite,” or the amount of risk organizations are willing to accept in pursuit of their objectives, is an integral part of an effective ERM system. The COSO thought paper aims to help organizations develop, better articulate, and implement risk appetite. It provides examples of statements of risk appetite and emphasizes the notion that risk appetite should be clearly defined, communicated by management, embraced by the board, and continually monitored and updated.

Financial Statements -- AICPA Standard on Consistency of Financial Statements Discussed

We have added a GAAS Update Service that provides discussion and analysis of a clarified AICPA Statement on Auditing Standards (SAS), *Consistency of Financial Statements,* which was finalized as part of the AICPA's Clarity Project and subsequently designated as AU-C Section 708, *Consistency of Financial Statements,* by SAS 122, *Statements on Auditing Standards: Clarification and Recodification.* AU-C Section 708 will supersede the following guidance:

- SAS-1, section 420 (AU Section 420), *Consistency of Application of Generally Accepted Accounting Principles;* and
- Various paragraphs of SAS-58 (AU Section 508), *Reports on Audited Financial Statements.*

AU-C Section 708 will be effective for audits of financial statements for periods ending on or after December 15, 2012.

The AICPA’s Clarity Project is intended to make existing U.S. generally accepted auditing standards (GAAS) easier to understand, apply, and move toward converging U.S. GAAS with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. For further information on the AICPA's Clarity Project, see our previously published discussion and analysis in our publication "A Closer Look."

Government Summaries

Yellow Book -- Changes in the New Yellow Book Discussed

We have published a Governmental GAAP Update Service that discusses further changes made by the U.S. General Accountability Office (GAO) to the 2011 edition of *Government Auditing Standards,* commonly known as the "Yellow Book." This revision was released in December 2011 and supersedes the Internet edition released earlier in 2011 and includes:

- Clarifications of references to the AICPA’s Codification of Statements on Auditing Standards;
- Revisions to the list of independence safeguards; and
- Clarifications in seven paragraphs of documentation requirements that are related to the communication of certain internal control deficiencies, fraud, waste, and abuse.

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