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Insights
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Accounting

Partial Deferral of Statement No. 157

The Financial Accounting Standards Board (FASB) has issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157,* to partially defer FASB Statement No. 157, *Fair Value Measurements*. This FSP defers the effective date of Statement No. 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Nonfinancial assets and nonfinancial liabilities include all assets and liabilities other than those meeting the definition of a financial asset or financial liability as defined in paragraph 6 of Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. Examples of items to which the deferral would apply include, but are not limited to:

- Nonfinancial assets and nonfinancial liabilities initially measured at fair value in a business combination or other new-basis event, but not measured at fair value in subsequent periods
- The following as described in Statement No. 142, *Goodwill and Other Intangible Assets*:
  - Reporting units measured at fair value in the first step of a goodwill impairment test
  - Nonfinancial assets and nonfinancial liabilities measured at fair value in the second step of a goodwill impairment test
  - Indefinite-lived intangible assets measured at fair value for an impairment assessment
- Asset retirement obligations initially measured at fair value under Statement No. 143, *Accounting for Asset Retirement Obligations*
- Nonfinancial long-lived assets (asset groups) measured at fair value for an impairment assessment under Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*
- Nonfinancial liabilities for exit or disposal activities initially measured at fair value under Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*

Examples of items to which the deferral would **not** apply include, but are not limited to:

- Items within the scope of paragraph 7 of Statement No. 159 that are recognized or disclosed at fair value on a recurring basis
- Items within the scope of Statement No. 107, *Disclosures about Fair Value of Financial Instruments,* whether recognized or not
- Financial and nonfinancial derivatives within the scope of Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*

- Servicing assets and servicing liabilities within the scope of Statement No. 156, *Accounting for Servicing of Financial Assets*, including situations in which an entity has elected the amortization method as the subsequent measurement attribute
- Loans measured for impairment using the practical expedient in Statement No. 114, *Accounting by Creditors for Impairment of a Loan* (based on the fair value of collateral if the loan is collateral dependent), even if the underlying collateral is nonfinancial
- Financial assets and financial liabilities initially measured at fair value in a business combination or other new basis event, regardless of whether measured at fair value during subsequent periods

This FSP does not apply to entities that have issued financial statements that included the adoption of Statement No. 157 in its entirety. Any entity that has early adopted Statement No. 157 may not reverse that adoption. Any entity that has not applied the provisions of Statement No. 157 in interim or annual financial statements is required to make certain financial statement disclosures until Statement No. 157 is applied to all assets and liabilities. Any entity that has not yet adopted Statement No. 157 is encouraged to carefully review each asset and each liability on its balance sheet to determine whether the proposed deferral would apply to each item.

The FSP is available in full at http://www.fasb.org/pdf/fsp_fas157-2.pdf.

SEC

SEC Proposes Delay of SOX 404 Audit Requirement

The SEC has proposed a one-year delay in the requirement for an audit of internal controls over financial reporting for smaller public companies (i.e., those that are not required to file annual and quarterly reports on an accelerated basis). Currently, the auditor's attestation report on internal control over financial reporting is required when a smaller public company (i.e., non-accelerated filer) files an annual report for a fiscal year ending on or after December 15, 2008. It should be noted that a one-year grace period, if finalized, would **not** relieve smaller public companies of the obligation to provide management's report on internal control over financial reporting for annual reports for fiscal years ending on or after December 15, 2007.

We want to emphasize that this proposed delay in the requirement for an audit of internal controls over financial reporting for smaller public companies has not yet been finalized by the SEC. You should monitor the SEC's Web site or McGladrey & Pullen's Web site for updates.

International

Two International Standards on Review Engagements Clarified

International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, was originally written to be applicable for reviews of interim financial information conducted by an entity's auditor, under the premise that the entity's auditor is able to use audit-based knowledge of the entity when carrying out such reviews. The International Auditing and Assurance Standards Board (IAASB) did not intend to eliminate auditor's reviews of historical financial information (other than interim financial information) from the scope of this ISRE, and therefore recently amended ISRE 2410 so that it also applies to reviews of historical financial information other than interim financial information conducted by an entity's auditor.

ISRE 2400, *Engagements to Review Financial Statements,* applies to all reviews of historical financial information excluding those conducted by the entity's auditor, but may be applied "to the extent practicable" to engagements to review other information. To align the application of ISRE 2400, ISRE 2410, and International Standard on Assurance Engagements 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, the IAASB has amended ISRE 2400 to restrict its application only to a review of any historical financial information performed by a practitioner who is not the entity's auditor.

The amendments are effective immediately, and are available in full at http://www.ifac.org/store.
