

## CPCAF Alert #51– April 15, 2005

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### COMING SOON

**PCAOB Forums on Auditing in the Small Business Environment**

***By Invitation Only -***

Forum to be held in Denver, Colorado on April 26-27, 2005

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### COMING SOON

### DEAR CENTER MEMBERS

#### **SEC Defers Compliance Dates for FAS 123R Shared-Based Payment**

On April 14, 2005, the SEC announced the adoption of a new rule that defers the compliance dates for Financial Accounting Standard Board's Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payment* (FAS 123R).

The new compliance dates were changed to allowing companies to implement FAS 123R at the beginning of their **next fiscal year**, instead of to the **next reporting period** that begins after June 15, 2005, or December 15, 2005 for small business issuers. The SEC, in their announcement, provided the following example for further clarification: The financial statements for a calendar year-end company do not need to comply with FAS 123R until the interim financial statements for the first quarter of 2006 are filed with the Commission. The financial statements for a company, other than a small business issuer, with a June 30 year-end, however, must comply with FAS 123R when the interim financial statements for the quarter beginning July 1, 2005 are filed with the SEC.

The Center for Public Company Audit Firms (CPCAF or Center) periodically meets with Donald T. Nicolaisen, SEC Chief Accountant, and his deputies to discuss practice challenges affecting member firms. FAS 123R was one of the topics of discussion during our most recent meeting in March 2005. We expressed concern regarding accounting firms and their clients' readiness for implementation of this new standard given the time spent recently to implement Section 404 of the Sarbanes-Oxley Act of 2002. "Our members will be pleased with the Commission's decision to defer the compliance dates of FAS 123R *Share-Based Payments*", said

## 11th XBRL International Conference

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Lillian Ceynowa, Director of the Center for Public Company Audit Firms. "As one of the Center's core objectives to promote high quality public company audits, we recently launched a new section of our Web site solely dedicated to educational resources on FAS 123R which are centrally located." Please click on the following link to be taken directly to the FAS 123R section of the CPCA Web site: [Statement of Financial Accounting Standards No. 123R Resource](#). The Center will continually update this section of our Web site with new FAS 123R tools and resources, so be sure to bookmark this page and visit it often in the future for updates.

Mr. Nicolaisen said, "...implementing the new standard at the beginning of a fiscal year allows companies to change their accounting systems in a more orderly fashion, and should allow auditors to conduct more consistent audit and review procedures. Companies that choose to implement Statement No. 123R earlier than required are encouraged to do so."

See the SEC's full press release at the following link : <http://www.sec.gov/news/press/2005-57.htm>. The SEC's release on this item will be posted on the SEC's Web site in the near future.

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## SEC Adopts Amendments that Affect Foreign Private Issuers for 1<sup>st</sup>-Time Adoption of IFRS

In an effort to facilitate the transition of foreign companies to the use of International Financial Reporting Standards (IFRS) and improve the quality and comparability of their financial disclosure, the SEC has adopted certain amendments to Form 20-F. (Form 20-F is the combined registration statement and annual report form for foreign private issuers under the Securities Exchange Act of 1934). The amendments provide a one-time accommodation to foreign private issuers that change their basis of accounting to IFRS.

Here are some specific aspects of the amendments:

- Issuers that adopt IFRS for the first time prior to or for the 2007 financial year will be permitted to file two years rather than three years of audited statements of income, changes in shareholders' equity and cash flows prepared in accordance with IFRS in annual reports and registration statements during the first year in which they adopt IFRS. Eligible companies are permitted to omit audited

financial information for the *earliest* of the three years when providing the financial statements required by Item 8.A.2.

- The amendments require certain disclosures relating to an issuer's reliance on any of the transitional measurement exceptions available to a first-time adopter under IFRS. Under these amendments, an issuer must identify the items to which an exception was applied, describe which accounting principle it used, and explain how it applied that principle.
- The amendments include a new instruction 3 to Item 8 of Form 20-F to require that the mandatory reconciliation from previous GAAP financial statements to IFRS give “sufficient data to enable users to understand the material adjustments to the balance sheet and income statement,” and, if presented under previous GAAP, the cash flow statement.

Here's what the amendments do *not* change:

- All instructions to Item 8, including instructions requiring audits in accordance with U.S. generally accepted auditing standards (U.S. GAAP) will continue to apply.
- Current requirements regarding the reconciliation of financial statement items to U.S. GAAP continue to apply.

Issuers that apply accounting standards as adopted by the European Union in a manner that does not fully comply with IFRS are eligible to use the accommodation if they provide U.S. GAAP and IFRS reconciling information, if necessary.

The amendments, which were issued by the Commission on April 13 and become effective on May 19, 2005 can be obtained from the SEC Web site at <http://www.sec.gov/rules/final/33-8567.pdf> .

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As a member of the Center, your firm will receive periodic updates on important developments related to the PCAOB and the SEC, as well as the activities of the Center, particularly with respect to the submission of comment letters on PCAOB and SEC proposals. To stay abreast of these and other relevant events in public company audit practice, please visit the **new enhanced** Center Web site at [www.aicpa.org/CPCAF](http://www.aicpa.org/CPCAF). Also, we

welcome any suggestions or questions - please send them by e-mail at [center@aicpa.org](mailto:center@aicpa.org).

Sincerely,

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