

# *The quarter close*

## A look at this quarter's financial reporting issues

*December 13, 2010*

### *What's inside*

*Front and center .....1*  
*Accounting hot topics ..... 4*  
*SEC matters ..... 9*  
*IFRS ..... 10*  
*Hot off the press..... 11*  
*On the horizon.....14*  
*Corporate governance ...16*



---

## ***What you need to know—Q4—2010***

Welcome to our final 2010 edition of *The quarter close*. This quarter, we have included a section called “Front and center,” where we spotlight key recent developments including yet another change in standard-setting priorities and timetables by the FASB and IASB, followed by highlights from the 2010 AICPA National Conference on Current SEC and PCAOB Developments. In our “Accounting hot topics” and “SEC matters” sections, we discuss year-end and first quarter 2011 reporting matters, including multiple-element revenue guidance, accounting for debt restructurings, and pension plan reminders. Our “Hot off the press” section covers newly-issued guidance, exposure drafts, and discussion papers, including the IRS’ final rules on reporting uncertain tax positions. We’ll also look a bit farther out in “On the horizon” by profiling a number of ongoing developments, including the push for private company GAAP, and the executive compensation provisions of the Dodd-Frank Act. So as you glide around that final turn into the year-end home stretch, stay focused and keep your eyes on the finish line.

---

### ***Front and center***

#### **First the shuffle, now the slide—Boards continue to modify strategy on convergence projects**

In a [progress report](#) published in late November, the FASB and IASB announced a modified work plan, designed to allow them to focus more resources on their priority projects. The most significant change is a delay for two controversial projects: financial statement presentation and financial instruments with characteristics of equity. Originally, the Boards planned to issue exposure drafts for both in the first quarter of 2011. Now, that timing is off the table. The Boards have been careful to note, however, that this is only a delay—not a decision to drop the projects. Work on these projects is expected to resume in the second half of 2011.

There are other changes as well. For example, the Boards have delayed the exposure draft on balance sheet offsetting until the first quarter of 2011. Separately, the FASB has delayed its projects on loss contingency and multiemployer pension plan disclosures (we cover these developments in more detail below). All of these changes should help the Boards focus on five priority areas: financial instruments, revenue recognition, leases, fair value, and the presentation of other comprehensive income.

Stay tuned for more information in *Setting the standard*—where we give further insights on standard-setting developments. Until then, read our [In brief 2010-30](#), *FASB and IASB update convergence strategy*.

#### **Board composition—Some decisions, some yet to come**

Against this backdrop, speculation continues about the two open board seats at the FASB and the naming of the chairman. As we highlighted in the last edition of [The quarter close](#), Bob Herz retired as chairman of the FASB. Since that time, Leslie Seidman, a current board member, was named as acting chairman and Russell Golden, the former FASB technical director, was selected as a new board member. The Financial Accounting Foundation continues its search for two additional board members.

Meanwhile, the IASB’s governing body appointed a successor to Sir David Tweedie as chairman of the IASB, as his term is set to expire in 2011. Hans Hoogervorst, who

currently leads the Dutch securities regulator, will take over as IASB chairman at the end of June 2011. Ian Mackintosh, currently head of the U.K. Accounting Standards Board, also will join the IASB in June as vice-chairman.

### **If it's not broke...FASB to reconsider whether a fix is needed for loss contingency disclosures**

In November, the FASB put its loss contingency disclosure project on hold. Prompted in part by feedback received during the comment letter process, the FASB questioned whether the perceived shortcomings of today's disclosure practices result from deficiencies in the existing standard or needed improvements in the application of current guidance. The FASB noted that the SEC's ongoing initiatives in this area, including an uptick in the volume of comment letters issued to registrants on this matter, might reveal the answer to that question.

Taking a wait and see approach, the FASB decided to postpone redeliberations on its proposal. Instead, the FASB will monitor the results of the SEC's activities to determine whether and how to proceed on its own project.

#### **How do your disclosures stack up?**

In light of these actions, companies would be well-served to reacquaint themselves with the requirements in the existing guidance as well as the SEC's comments in this area. In fact, loss contingency disclosures received a considerable amount of attention at last week's 2010 AICPA National Conference on Current SEC and PCAOB Developments (AICPA Conference). One key message: the SEC will likely question companies that claim they cannot estimate a range of loss for at least some of their contingencies. However, the SEC has commented that companies may use aggregation techniques when disclosing these ranges.

For more color on the SEC's comments and concerns, take a look at our upcoming Dataline on highlights of the AICPA Conference.

### **Last-minute stay on multiemployer pension plan disclosures**

The FASB reacted swiftly to concerns raised in the comment letters on the proposed multiemployer pension and postretirement plan disclosures. In November, shortly after the comment letter period closed, the FASB agreed to defer redeliberations until 2011. For public companies, the FASB was planning to require the new disclosures for years ending after December 15, 2010.

So, what in the comment letters did the FASB find so compelling? Perhaps a number of items, but first and foremost, there was overwhelming concern that the proposed effective date did not provide enough time for companies to prepare, considering much of the quantitative information is not currently available. Respondents also expressed significant concern about the proposed requirement to disclose a company's withdrawal liability, even if withdrawal from the plan is not expected. Many believe disclosure of a withdrawal liability may be confusing and misleading in situations where the company has no current expectation of withdrawing from the plan.

Stay tuned for more on this topic in 2011. In the meantime, for more information on the proposed disclosures, along with a discussion of current accounting matters for these plans, read our [Dataline 2010-41](#), *Multiemployer benefit plans—Recent accounting & reporting developments*.

## Comment letters show Boards have plenty to think about

Even with the Boards' revised strategy to direct more resources to priority projects, the Boards have their work cut out for them, attempting to do what some say can't be done. They've got a long way to go (finish all five priority projects) and a short time to get there (June 2011) in order to reach their stated goal, but both Boards seem focused and committed. That's good, because based on comment letters, roundtable discussions, and other feedback received so far, the Boards will need to further deliberate important elements of the financial instruments, revenue recognition, and leases projects. Perhaps more intriguing, comments by the SEC at last week's AICPA Conference seem to imply that some at the SEC believe the June 2011 target date may be a bit too aggressive. Here's a flavor of what the Boards will grapple with over the coming months:

- **Financial instruments.** Will the FASB revisit its decision to require that most financial instruments be measured at fair value? Most of the nearly 3,000 comment letters received by the FASB expressed concern that the FASB's and IASB's proposals on financial instruments differ from each other in key areas—including measurement. Moreover, the overwhelming majority of respondents told the FASB that core deposits, a company's own debt, and loans that a company expects to hold for collection should be measured at amortized cost, similar to the IASB's proposal. Early indications are that the FASB might be willing to reconsider its earlier conclusions in this area.
- **Revenue recognition.** Should services be treated differently than goods under the proposed revenue recognition guidance? Many of the over 1,000 comment letters received by the FASB and IASB expressed concern about how to apply the proposal's principle of "control transfer" to services, particularly when performance occurs over a period of time. This is just one example of where the Boards may decide that a "one size fits all" approach may need some alteration to improve clarity and operability.
- **Leases.** Will the Boards "de-link" lessor accounting from the proposed guidance on leases? Even if the Boards decide to drop lessor accounting from the project, they will have more work to do on the lessee side—including redeliberating controversial aspects of the proposal dealing with contingent rents and renewal options. Although the comment period on leases is still open, and not all of the roundtables have taken place, the Boards have received considerable feedback. In recent public comments, some Board members seem to be open to the possibility of a more user-friendly model.

Have we piqued your interest? If so, you are in luck, as we'll go into greater detail in our upcoming edition of *Setting the standard*.

## Highlights from the AICPA Conference

A holiday tradition, the annual AICPA Conference was held last week in Washington, D.C. One theme that emerged from the conference was the critical role of public trust in the U.S. capital markets. Remarks by several speakers highlighted the need for auditors, audit committee members, and all other members of the financial reporting supply chain to remain vigilant in upholding that public trust.

Other themes included the need for transparent and robust financial statement and MD&A disclosures. On the subject of global accounting standards, the SEC seemed less focused on the Board's June 2011 target date, and instead emphasized the need to take the necessary steps to achieve improved, comprehensive, and sustainable high-quality global standards.

SEC staff members also provided views on a variety of accounting topics, such as consolidation of variable interest entities, accounting for transfers of businesses, disclosure of loss contingencies, and debt extinguishments. Also noteworthy were the SEC's comments about the amount of rulemaking that lies ahead due to the Dodd-Frank Act.

On the standard-setting front, the projects on financial instruments, revenue recognition, and leases were center stage. Each of these major projects was featured in a panel discussion format. A common theme for all three projects was the challenge created by the June 2011 target date for issuing the new standards.

Coming soon is a Dataline that will provide AICPA Conference highlights and PwC's insights on a number of important matters discussed at the conference.

---

## ***Accounting hot topics***

Fourth quarter is ripe for accounting hot topics as calendar year-end companies gear-up for the financial reporting season. Below we highlight some areas worthy of extra attention this year end. For more on these and other accounting and reporting topics, see our recently-issued [Dataline 2010-43](#), *2010 year-end accounting and reporting considerations*—a helpful resource to assist you in the year-end financial reporting process.

### **Multiple elements equal multiple challenges**

In our last edition of [The quarter close](#), we highlighted some of the implementation issues faced by early adopters of the new revenue guidance for multiple-element arrangements and software-enabled products. Now, the required implementation date (January 2011 for calendar year-end companies) is approaching fast.

Our experience has shown that implementation of these new standards is proving more complicated and time consuming than companies originally anticipated. So we think it's worth repeating some of the most challenging areas:

- Determining the “best estimate of selling price” may require companies to value elements never “valued” before.
- Companies may need to reassess what elements get scoped in and out of the software rules.
- Companies may need to update systems to accommodate changes in the allocation of consideration.

Don't delay—assess the impact of the new guidance now to avoid the risk of a last minute scramble in the first quarter. To help you through this process, we will be updating [Dataline 2009-54](#), *New revenue recognition guidance—A more economic approach to accounting for arrangements with multiple deliverables*, with expanded guidance, including new Q&A's.

### **Milestone method—It's official**

Also effective in January 2011 for calendar year-end companies is guidance on another revenue topic—the milestone method of revenue recognition. The milestone method is an acceptable, but not required, method for recognizing revenue for research or

development transactions when a portion of the arrangement consideration is contingent upon achieving a milestone. This method is commonly used in the pharmaceutical and life sciences industries. The new guidance codifies the milestone method as an acceptable revenue recognition methodology.

The new milestone guidance has not made headline news—generally, it is not expected to have a significant impact on companies already applying this method. However, companies need to be mindful that the new guidance requires that a milestone be “substantive.” Among other requirements, the milestone must be based on the company’s own performance, as opposed to the passage of time or a counterparty’s performance. Additionally, consideration earned from achievement of the milestone must be commensurate with the effort to achieve the milestone, reasonable relative to all of the deliverables in the arrangement, and relate solely to past performance. Companies will need to assess whether each milestone in an arrangement is “substantive,” an extra step that requires judgment and, in certain fact patterns, could prove to be challenging.

### **Don’t let debt restructurings spell “trouble” this reporting season**

Debt modifications and troubled debt restructurings continue to be a subject du jour, particularly in the current credit market environment. While a recent FASB project aims to tweak the guidance for troubled debt restructurings by creditors (the exposure draft is highlighted in “Hot off the press”), many companies continue to face this issue as a debtor.

When accounting for a debt restructuring, debtors first need to determine if the transaction is a troubled debt restructuring (TDR). This assessment can be complicated and requires judgment, but at its core focuses on whether the debtor is experiencing financial difficulty and whether the creditor has granted the debtor a concession. What’s the implication? Different accounting and disclosure requirements could result depending on whether the troubled debt restructuring model is applied.

After this first step is completed, the devil is truly in the details—additional calculations are required to assess the accounting impact, and the guidance includes certain nuances that shouldn’t be ignored. Refer to [Dataline 2010-43](#), *2010 year-end accounting and reporting considerations*, for some helpful guidelines in this complex and challenging area.

### **Receivables and allowance for credit losses—New disclosures effective now**

Time is almost up—the significantly expanded disclosure requirements for credit quality and credit losses are now effective for calendar year-end companies. As discussed in our last edition of *The quarter close*, the new standard will have a broad impact because it applies to all creditors of “finance receivables,” defined as a contractual right to receive money, on demand or on fixed or determinable dates, that is recognized as an asset in the creditor’s balance sheet. Generally speaking, it applies to any receivable with a maturity greater than one year.

Companies are discovering that a substantial amount of effort is required to accumulate the information to comply with the new requirements. Key to preparing the new disclosures—particularly in the first year—is determining the appropriate level of disaggregation for each disclosure item. There is no “one size fits all” answer, because the two levels of disaggregation described in the standard are based on management’s processes for developing credit reserves and monitoring credit exposure.

For more details on the new disclosures, refer to [Dateline 2010-31](#), *New disclosure requirements for finance receivables and allowance for credit losses—A summary of ASU 2010-20*.

Stay tuned for updates in this area—the FASB recently issued an exposure draft proposing to delay the disclosure requirements related to troubled debt restructurings to align with the effective date of the proposed troubled debt restructuring guidance. See our [In brief 2010-31](#), *FASB issues exposure draft to defer the effective date of new disclosures about troubled debt restructurings*.

## **Pension plan reminders—Don’t discount the work ahead**

It’s almost that time for another year-end tradition: remeasuring pension and other postretirement benefit obligations. Sound festive? Maybe not, but companies should consider reaching out early to their actuaries to discuss key assumptions, including the discount rate and expected rate of return on plan assets. Like holiday shopping, it’s always best to start early. That way, you avoid a last-minute scramble during the financial reporting season.

That’s especially true this year, since interest rates on high-quality corporate bonds of all maturities have decreased significantly from a year ago, which could translate into lower discount rates. Moreover, the mergers of several large actuarial firms during 2010 may impact the models used to determine the discount rate. Companies will need to evaluate whether any change in the modeling of their discount rate is appropriate for their facts and circumstances. Also, given the relatively low overall return rates in recent years, many companies have been reevaluating their investment strategies for their benefit plan trusts, which could impact the expected rate of return on plan assets used for 2011.

For more information, refer to [Dateline 2010-43](#), *2010 year-end accounting and reporting considerations*.

### **Unrecognized losses on your mind?**

It’s no surprise that over the past few years, many funded retirement benefit plans have experienced significant losses on the investments held by the plan. At the same time, historic low discount rates have resulted in a substantial increase in benefit obligations. As a result of this “perfect storm,” many plans have accumulated sizeable losses that remain hung up in accumulated other comprehensive income. Under the current rules, recognition of these losses into net income could span many years into the future.

In light of these conditions, some companies are considering changing their accounting policies to recognize gains and losses that arise from measuring plan assets and obligations either more quickly or even immediately. Thinking about a change? There are a number of things that need to be considered, including whether such a change is considered “preferable” and how it would be implemented. A change in accounting principle requires “retrospective application”; in other words, adjustment to prior period balances as if the new method had always been applied. We discuss the implications in [HRS Insight 10/49](#), *Exploring changes in pension/OPEB accounting policies*, and we will soon be issuing a Dateline that further expands on this topic.

## Health care reform—Make it part of your year-end accounting check-up

Since President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 into law in March 2010, health care legislation issues may seem like yesterday's news. However, the buzz continues not only in Washington, D.C., but also in accounting circles.

### Sponsors of retiree health benefit plans...provide your best estimate

Companies performing their year-end remeasurements of retiree health benefit obligations should incorporate their best estimate of the impacts of the health care legislation. Easier said than done—in some cases, the legislation won't be effective until some point (sometimes many years) in the future, or further regulations may still be needed to clarify how to apply the law. One example is the excise tax on high value (so-called Cadillac) plans. While this tax will not begin to be levied until 2018, it can have an impact on the measurement of obligations today. For a more detailed discussion of this issue and a refresher of some of the other implications of the legislation on postretirement benefit obligations, refer to [Dataline 2010-21](#), *Financial reporting implications of healthcare legislation—A summary of the legislation and potential impact*.

Earlier this year, the income tax accounting associated with the health care legislation made headlines, with many companies taking significant tax charges in the first quarter associated with the loss of tax-preferred treatment of the government subsidies on certain retiree drug benefits. Well, the fun isn't over. The complex tax accounting issues resulting from the legislation will continue over the next few years until the tax-free subsidies expire. For further information on this accounting complexity refer to [HRS Insight 10/47](#), *Accounting for tax effects of the Medicare Part D subsidy after enactment of health care legislation*.

### Attention: Pharmaceutical companies—Plugging the donut hole

Under the health care legislation, pharmaceutical companies are required to fund 50% of the Medicare coverage gap (or so-called “donut hole”) by providing discounts to applicable Medicare beneficiaries starting in 2011. What does this mean today? Discussions are continuing on this topic, but in summary, as early as fourth quarter 2010, companies with product in the wholesale channel at the end of the year will need to determine how they will estimate how much rebate to accrue for the coverage gap discount. We will be releasing a Pharmaceutical and Life Sciences Alert soon with more information on this issue.

### EITF addresses new fees payable to Uncle Sam

The health care legislation also imposes annual fees in future years on certain pharmaceutical companies and health insurers. The Emerging Issues Task Force (EITF) addressed the accounting for these fees in two separate issues. In both fact patterns, the EITF concluded that companies should recognize the fee ratably in the year it is due as an expense in their income statements. For further discussion, see our November [EITF observer](#).

## To assert or not to assert (indefinite reinvestment)...A fundamental question

Companies that assert indefinite reinvestment of offshore earnings may be rethinking their strategy—perhaps driven by the economic downturn, recently enacted tax legislation, or other business developments. The current U.S. tax legislative

environment—which is moving in the direction of reducing the benefits associated with offshore earnings—could further prompt companies to reconsider their plans.

Companies should assess the impact of any changes in their strategy on their indefinite reinvestment assertion. Factors to consider include financing, liquidity, and business development needs. It's also important that different groups within the company—such as treasury, finance, tax, operations, legal, and business development—are aligned in this effort.

For companies that discontinue an indefinite reinvestment assertion, the process for measuring the resulting deferred tax liability can be complex and require significant effort. To help you navigate through this complex topic, see our soon to be released Tax Accounting Services publication, *Deferred taxes on foreign earnings: A road map*.

## **Taxing matters—Legislative updates**

### **United States**

On January 1, 2010, several longstanding beneficial corporate tax provisions expired. These provisions include the federal research tax credit, provisions deferring taxation of certain foreign earnings, and 15-year depreciation for certain real estate properties. In the absence of these provisions, many companies are facing the possibility of paying more taxes in 2010; and with respect to provisions such as the federal research tax credit, an increase to their effective tax rate.

As the end of the year draws near, uncertainty remains as to whether legislative action will be taken to reinstate the expired provisions and possibly extend them beyond 2010. If legislation is enacted, companies will need to recognize the impact of the extension in their income tax provision calculations. The impact on deferred tax accounts and the annual effective tax rate should be included in income from continuing operations for the period that includes the enactment date. If changes are enacted after year end, but before the issuance of financial statements, companies should consider disclosing the impact in their year-end financial statements.

### **Puerto Rico**

In October, Governor Luis G. Fortuño signed into law a new tax provision effective for transactions occurring after December 31, 2010. Companies with manufacturing operations in Puerto Rico may be subject to a new excise tax, which is calculated on a taxable base of gross intercompany purchases. The new excise tax does not fall within the scope of the income tax accounting guidance, and instead should be accounted for as a pre-tax line item in the financial statements. However, to the extent there are any associated U.S. foreign tax credits or tax uncertainties, such amounts would be within the scope of the income tax guidance.

## **Valuation allowance disclosures—More than the bare necessities**

Assessing whether to record or reverse a deferred tax valuation allowance takes significant judgment, and valuation allowance assessments continue to attract attention from the SEC. The SEC frequently asks companies to explain the evidence considered when reducing or avoiding a valuation allowance—in particular, how a company is able to overcome negative evidence such as recent losses.

Companies should be mindful of the focus on disclosures about valuation assessments, especially companies with recent losses that have not recorded a full valuation allowance.

In these situations, it is important that companies disclose the rationale for their conclusion, including a description of the positive evidence relied upon and other factors such as tax planning strategies. Early warning about possible changes in the valuation allowance is equally prudent.

For a more complete summary of timely income tax accounting topics, refer to PwC's upcoming Tax Accounting Services NewsAlert, *2010 year-end hot topics*.

---

## ***SEC matters***

### **SEC tackles liquidity and short-term borrowings disclosures**

At last week's AICPA Conference, the Director of the Division of Corporation Finance highlighted the SEC's recently-published interpretive guidance on liquidity disclosures, and its proposed rule regarding short-term borrowings disclosures. In both cases, the SEC is attempting to address what some perceive as the "window dressing" applied to corporate balance sheets at the end of a reporting period.

The interpretive guidance is intended to improve liquidity and capital resources disclosures in the "management's discussion and analysis" (MD&A) section of SEC filings. While the guidance does not create new rules or requirements, it suggests that the SEC has lingering concerns about compliance with the existing rules.

The guidance was effective upon its issuance in September. For more information, refer to [In brief 2010-19](#), *SEC provides guidance on liquidity and capital resources disclosures*.

#### **Will short-term borrowings result in longer disclosures?**

Concurrent with publishing the interpretive guidance on liquidity disclosures, the SEC also proposed enhancements to the disclosures about short-term borrowings. The proposal would require companies to provide a comprehensive explanation of their short-term borrowings, including both quantitative and qualitative information, in MD&A.

The proposed disclosures for each category of short-term borrowings include:

- The amount outstanding at the end of the reporting period and the weighted average interest rate
- The average amount outstanding for the reporting period and the weighted average interest rate
- The maximum amount outstanding during the reporting period

Companies that meet the proposed definition of a "financial company" would have additional disclosure requirements. The proposal also requires increased narrative discussion, including the business purpose and importance of borrowing arrangements, and the reasons for the maximum amount for the reporting period, along with other information that provides context for the maximum amount.

For more information on the proposed rules, refer to [In brief 2010-20](#), *SEC proposes enhancements to disclosure about short-term borrowings*.

## **XBRL compliance—Close...but not quite**

The SEC recently published observations from its reviews of XBRL data in filings submitted from June through August of 2010. While results overall indicated that filers are making significant efforts to comply with the interactive data requirements, the SEC identified a number of recurring issues, including:

- **Negative values.** The SEC noted many occurrences of filers incorrectly entering negative values within their submissions. Filers often used negative values to create brackets around numbers in an attempt to replicate the format of their traditional financial statement filings when the amount should be entered with a positive value (for example, allowance for doubtful accounts).
- **Custom extensions.** The SEC noted cases of filers creating custom extensions instead of using an existing U.S. GAAP Taxonomy element, possibly due to failure to perform an adequate search of existing elements.

Further details on the SEC's observations can be found on the [SEC website](#). For more information on XBRL, refer to [Dateline 2010-24](#), *XBRL: SEC compliance updates and consideration of upcoming phase-in requirements*.

---

## ***IFRS***

### **SEC's work on IFRS moves ahead**

The SEC recently released its first [progress report](#) on its IFRS Work Plan, in it describing the SEC's efforts and preliminary observations to date. The SEC noted that many of the work streams are in process and will not be completed until 2011. It is important to note, however, that the SEC still anticipates making the determination in 2011 of whether, when, and how to incorporate IFRS into the U.S. domestic financial reporting system.

Speaking of "how" IFRS might be incorporated, an SEC staff member made some intriguing comments at last week's AICPA Conference. Specifically, he discussed a potential transition method he dubbed "condorsement." As described, this approach would include a combination of continued convergence by both Boards, as well as the potential endorsement by the FASB of individual IFRS guidance. That said, it was clear that this is only one of a number of possibilities, and that the SEC has not made any decisions on the path forward. Additionally, at the conference, Chairman Schapiro emphasized that if the SEC were to move to IFRS for U.S. companies, it would allow a sufficient transition period, which would likely be no shorter than four years.

Elsewhere, global adoption of IFRS continues with upcoming transitions in Brazil, Canada, South Korea, and Mexico. At the same time, a recently-released exposure draft in the U.K. proposes to replace U.K. GAAP for statutory reporting purposes with either IFRS or IFRS for small- and medium-sized entities (for all but the smallest companies) as early as 2014.

For more information on the SEC's progress report, refer to [In brief 2010-28](#), *SEC publishes progress report on IFRS Work Plan*.

---

## Hot off the press

### IRS releases final Schedule UTP

The IRS released the final Schedule UTP for uncertain tax positions in September, which is effective for many calendar year-end companies' 2010 tax returns. Based on feedback received from both taxpayers and practitioners, the IRS made some changes—likely welcomed by many—from their original proposal.

Under the final requirements, corporations must disclose tax positions taken on their U.S. federal income tax return if either: (a) there is a liability recorded for that tax position in their audited financial statements, or (b) there is no liability recorded because they expect to “litigate” the position.

Key highlights and changes from the proposed rules include:

- **Required filers.** Public and privately held corporations with total worldwide assets equal to or exceeding \$100 million must file Schedule UTP with their calendar year 2010 income tax return, or fiscal year that ends in 2011. The total assets threshold is reduced to \$50 million starting with the 2012 tax return and \$10 million starting with the 2014 tax return.
- **Qualitative disclosure.** An explanation of the rationale and nature of the uncertainty is not required. The qualitative disclosure need only be a description of the relevant facts and information that would apprise the IRS of the tax position.
- **Quantitative disclosure.** Disclosure of the maximum potential tax adjustment for each uncertain tax position is not required. Nor is the amount of any tax reserves. Instead, filers must rank each disclosed position based on the size of the related reserve.

One important reminder—the Schedule UTP requirements do not impact the accounting for uncertain tax positions.

Time will tell how the increased transparency impacts the IRS examination process. In conjunction with the release of the final Schedule UTP, the IRS announced that it will refrain from requesting certain documents that relate to uncertain tax positions, including workpapers underlying the Schedule UTP itself.

For more information on the final Schedule UTP, see PwC's [WNTS Insight, IRS modifies final Schedule UTP and instructions for reporting uncertain tax positions \(UTPs\); expands policy of restraint](#).

### No free pass for reporting units with negative equity—EITF addresses goodwill impairment accounting

Should a reporting unit's negative carrying amount shield a potential goodwill impairment? That's the concern addressed by the EITF at its November meeting. Step 1 of the goodwill impairment test requires companies to compare a reporting unit's fair value to its carrying amount. If the reporting unit's carrying amount exceeds its fair value, companies must perform Step 2 of the test and measure the amount of goodwill impairment, if any. When a reporting unit's carrying amount is zero or negative, current guidance does not allow a company to proceed to Step 2, even though other factors may indicate that the goodwill is impaired—a result that many find counterintuitive.

The EITF reached a final consensus that reporting units with zero or negative carrying amounts should not automatically pass “go.” Instead, they need to proceed to Step 2 of the goodwill impairment test if there are qualitative factors indicating that it is more likely than not that a goodwill impairment exists.

Public companies must apply the new guidance in fiscal years beginning after December 15, 2010. Even though the new guidance will not be effective this quarter, companies with reporting units that have a zero or negative carrying value should evaluate the new guidance and consider the need for disclosure of the upcoming accounting change.

For further discussion, see our November [\*EITF observer\*](#).

### **Some clarity on pro forma disclosures for business combinations**

Acquired a business lately? If so, you’ve probably scratched your head trying to figure out the guidance on pro forma disclosures. The business combinations guidance requires public companies to disclose pro forma revenues and earnings as if the business combination had occurred as of the beginning of the current reporting period and as of the beginning of the comparable prior year reporting period. Seem straightforward? It’s not—and companies have approached this disclosure in different ways.

To address this diversity in practice, the EITF at its November meeting reached a final consensus that the required pro forma information should be prepared as if the business combination occurred as of the beginning of the prior period, rolled forward through the current period. The new guidance is effective for business combinations occurring after December 15, 2010.

Interestingly, the SEC’s requirements regarding pro forma disclosure of business combinations under Articles 10 and 11 of Regulation S-X are not consistent with regard to which period the business combination should be recorded when comparable periods are presented. At the EITF meeting, a representative from the SEC stated that the SEC intends to conform its rules under Article 10 to the EITF’s consensus on this point. The SEC representative stated that, in the meantime, companies should follow the EITF’s new guidance when preparing pro forma disclosures.

For further discussion, see our November [\*EITF observer\*](#).

### **Effective date and transition discussion paper—Yes, timing does matter**

The comment letter deadline for the Boards’ effective date and transition [discussion paper](#) is January 31, 2011—squarely in the middle of year-end financial reporting season. Both the FASB and IASB released discussion papers to seek input on effective dates and transition methods for several proposed standards, including leases, financial instruments, and revenue recognition. Armed with this feedback, the Boards will consider how best to stage the implementation of these major standards. The Boards intend to develop a plan that will help companies manage the pace and cost of change. Key areas in which the Boards are seeking input include:

- Transition methods: Retrospective, limited retrospective, or prospective adoption?
- Effective dates: Adoption of the standards on a single date or on different dates?

- Should early adoption be allowed?
- Should the FASB and IASB require the same effective dates and transition methods?

Considering the Boards' goals for finalizing new guidance in 2011, every company has a stake in the outcome—take this opportunity to provide your views before the January deadline. For more information, refer to [In brief 2010-25](#), *FASB issues Discussion Paper on effective dates and transition methods*.

## **Troubled debt restructuring—Out for comment**

In October, the FASB issued an [exposure draft](#) on accounting for troubled debt restructurings by creditors. We briefly discussed this project in our last edition of [The quarter close](#), highlighting the FASB's objective to improve the guidance used by creditors when evaluating whether a loan modification should be accounted for as a troubled debt restructuring.

The proposed guidance provides factors that creditors should consider when assessing whether a troubled debt restructuring has occurred—likely resulting in more restructurings qualifying as troubled debt restructurings. For example, the proposed standard prohibits creditors from concluding, without additional analysis, that a modification is not a troubled debt restructuring simply because it does not involve a reduction in the interest rate. In addition, the proposed guidance clarifies that a restructuring that results in an insignificant delay in contractual cash flows may still be considered a troubled debt restructuring.

The proposed effective date for the new guidance is interim and annual periods ending after June 15, 2011 (the second quarter of 2011 for calendar year-end companies). The comment period ended on December 13.

For more information, refer to [Dateline 2010-40](#), *FASB proposes guidance to assist creditors in identifying troubled debt restructurings*.

## **Repo 911?—FASB proposal means transactions may lose sale accounting status**

During the global economic crisis, capital markets participants criticized certain aspects of the existing accounting guidance for repurchase agreements (repos). Specifically, many voiced concerns regarding the collateral maintenance guidance used to determine whether a repo should be accounted for as a sale or as a secured borrowing. This issue was also a subject of Lehman's bankruptcy estate examiner's report (so-called "Repo 105" transactions).

To address these concerns, the FASB recently issued an [exposure draft](#) on repurchase agreements, which proposes that the amount of collateral should not determine whether a company maintains effective control over a transferred asset and consequently, whether the transaction should be accounted for as a sale. Instead, companies should assess effective control by focusing on the transferor's contractual rights and obligations with respect to the transferred financial assets, and not on whether the transferor has the practical ability to exercise those rights or honor those obligations.

What does it all mean? We believe the proposal will result in fewer repurchase agreements being accounted for as sales.

The guidance would be applied prospectively to new transactions and transactions that are modified after the effective date (expected to be in the second quarter of 2011 for

calendar year-end companies). The comment letter deadline is January 15, 2011.

For more information on evaluating the impact of the proposed guidance, refer to [In brief 2010-29](#), *FASB issues exposure draft on accounting for repurchase agreements*.

## **Insurance contracts—One goal, separate tracks**

The FASB and IASB are working toward a goal to develop a single, converged standard for insurance contracts—with the IASB leading the charge. The IASB issued an exposure draft in July and plans to issue final guidance next year. The FASB issued a [discussion paper](#) with a comment period that ends on December 15. The discussion paper asks whether the FASB should adopt a new comprehensive approach (similar to the IASB’s proposal), or whether targeted changes to current U.S. GAAP are sufficient.

Why is the IASB in a hurry? A comprehensive standard on insurance accounting does not currently exist under IFRS. On the other hand, U.S. GAAP has existing insurance accounting literature that is generally viewed as adequate by U.S. preparers and users.

A key aspect of the FASB’s discussion paper is its broad scope—the guidance would apply to all issuers of insurance contracts, not just insurers. The broad definition of insurance contracts could include certain financial guarantee contracts, loans with waivers upon death, certain types of warranty contracts, and health insurance provided by employers.

Given the potentially far-reaching implications, the proposed guidance may deserve another look—see our [Dateline 2010-39](#), *Insurance contracts—Fundamental accounting changes proposed*.

---

## ***On the horizon***

### **Changes afoot for private GAAP?**

A scaled-back version of GAAP for private U.S. companies has received a preliminary “thumbs-up” from the Blue-Ribbon Panel on Standard Setting for Private Companies (the Panel). At its December meeting, the Panel reaffirmed its preliminary consensus view that there is a need for separate guidance for private companies that is grounded in the same guidance that applies to public companies, but provides certain exceptions for private companies. In addition, the majority of the Panel supports a separate private company standards board under the oversight of the Financial Accounting Foundation (the Foundation). Some members of the Panel have noted that these preliminary conclusions—if implemented—could be a step in the evolution to a completely separate GAAP for private companies. The Panel’s views stem, in part, from concerns that it is too costly for private companies to comply with increasingly complex accounting standards that may not be relevant to private company financial statement users.

The Panel has begun preparing a draft report with its recommendations, and plans to issue that report to the Foundation’s Board of Trustees in January 2011. We expect the Foundation to expose its resulting action plan for public comment.

### **Is public company / private company GAAP the answer?**

Key to the debate is whether the concerns of private companies—and users of their financial statements—differ from their public company counterparts. In addition, the impact of creating separate GAAP for private companies could be far-reaching. For example, what is the cost of requiring users, preparers, and auditors to be versed in two different sets of standards? How would our educational system be affected? What is the

impact on private companies that desire to enter the public capital markets? We provide our views on this debate in [\*Point of view: Financial reporting for private companies\*](#).

### **Balance sheet offsetting—Boards may narrow application**

The FASB and IASB have been deliberating whether and when it is appropriate to present assets and liabilities net on the balance sheet. The Boards have decided to focus the project on derivatives and other instruments within the scope of their proposed financial instruments standards. Through this project, the Boards hope to align the criteria for balance sheet offsetting under IFRS and U.S. GAAP. Currently, the primary difference between the two standards relates to the optional ability under U.S. GAAP to net derivatives that are subject to master netting arrangements.

After significant debate, the Boards decided on a proposed model that would provide for the netting of derivatives only if certain criteria are met; specifically, that the entity has an unconditional right of offset that is enforceable at all times, and realizes the asset and liability simultaneously. Arrangements in which there is a conditional right of offset would not qualify for net presentation. Companies should stay tuned for opportunities to provide feedback on this proposal as this will represent a significant change from current practice under U.S. GAAP. An exposure draft is expected in the first quarter of 2011 with a final standard later in the year.

### **EITF update—Winding down a busy year**

The EITF has been active this quarter with meetings held in September and November. At these meetings, the EITF finalized guidance on:

- Accounting for deferred acquisition costs by the insurance industry
- Reporting participant loans in employee benefit plan financial statements
- Accounting for fees paid to the federal government by pharmaceutical manufacturers
- Testing for goodwill impairment when reporting units have zero or negative carrying amounts
- Clarifying the disclosure of supplementary pro forma information in a business combination

The EITF also reached a final consensus on an issue related to the classification and disclosure of bad debt expense by health care entities at its November meeting. However, the FASB subsequently decided to re-expose the issue for a 60-day comment period due to additional feedback received from preparers highlighting several concerns with the final consensus.

The EITF reached a consensus-for-exposure on an issue related to fees paid to the federal government by health insurers, which it added to its agenda during its November meeting.

The EITF continued discussion on an issue related to the deconsolidation of a subsidiary that is in-substance real estate, reaching a tentative consensus that the real estate sale guidance should govern. However, the EITF decided to convene a working group to more fully understand the scope and implications of its tentative consensus. This issue has the potential to affect not only real estate investors but also lenders to real estate entities.

In addition, the EITF decided to discontinue discussion of two issues, including accounting for multiple foreign exchange rates and accounting for legal costs associated with medical malpractice and similar claims.

The next EITF meeting is scheduled for March 24, 2011. Our September [EITF observer](#) and November [EITF observer](#) are helpful resources in assessing how these issues may impact your company.

---

## Corporate governance

### Dodd-Frank—Will you get caught in the Act?

In our last edition of *The quarter close*, we gave you a brief overview of the recently-passed Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act or the Act). The full impact of the Act is just beginning to unfold, and companies outside the traditional financial services world in particular may be asking: How will the Act change the way we do business? As part of our *A Closer Look* series, we've focused on the ways the Act may directly and indirectly impact nonfinancial companies. Beyond its near-term effect on corporate governance (for example, enhanced whistleblower protections, proxy access reforms and shareholder "say-on-pay"), the Act may have other implications for nonfinancial companies, particularly those with one or more of the following characteristics:

- Heavy use of derivatives to manage day-to-day business risks or as part of a trading portfolio
- Ownership of a commercial finance or leasing operation
- Operations involving the transfer, clearing, or settling of payments, securities, or other financial transactions among financial institutions, or the provision of IT support or infrastructure to such operations
- Use of securitization transactions involving asset-backed securities
- Ownership of a consumer finance operation where credit is extended to customers and principal risk is retained
- Direct or indirect ownership of a thrift institution, industrial bank or limited purpose trust company

To learn more about how the Act might impact nonfinancial companies, visit [our website](#) and access the entire *A Closer Look* series as well as ongoing updates on financial regulatory reform.

### Spotlight on executive compensation

The provisions of the Dodd-Frank Act span many topics. In this edition of *The quarter close*, we feature executive compensation, a hotly-debated governance issue that promises to draw more focus as regulators develop the detailed rules necessary to implement the Act. These new rules could have a significant impact on the way companies structure compensation arrangements, disclose information about those arrangements, and seek input from shareholders on the terms of executive compensation programs. We've described some of the more significant provisions below.

**Shareholder “say-on-pay” voting.** The SEC issued proposed rules on the say-on-pay provisions of the Act in October. As proposed, public companies are required to hold a non-binding advisory vote on executive compensation at least once every three years. These proposals also require disclosure of golden parachute arrangements in any proxy statement to approve a merger, acquisition, consolidation or business sale. A non-binding shareholder vote on these golden parachute arrangements would also be required, if not previously subject to vote.

These proposals will become effective for shareholder meetings occurring on or after January 11, 2011. Find more details on these proposals in our [HRS Insight 10/44](#), *SEC seeks comment on Dodd-Frank Act “say-on-pay” and golden parachute rulemaking*.

**Compensation committee independence.** Similar to the Sarbanes-Oxley rules on audit committee independence, companies will now need to ensure independence of compensation committee members, and consider the independence of the advisors to those committees. The Act requires disclosure of compliance in proxy statements for annual shareholders meetings occurring on or after July 21, 2011, and the SEC must complete its rulemaking by July 16, 2011.

**Increased executive compensation disclosures.** The Act directs the SEC to adopt rules requiring public companies to disclose the relationship between executive compensation actually paid and the company’s financial performance. The Act left many details up to the SEC. Some of the issues they will have to work through include the definition of pay used and types of performance measured (for example, shareholder return? or profitability?).

Companies will also need to disclose internal pay equity, or the so-called CEO pay ratio. This disclosure will compare the total annual compensation of the CEO to the median compensation of all employees. While no effective date was established in the Act, the SEC has tentatively announced expected rulemaking in Spring 2011.

While the calculation of the CEO pay ratio may seem straightforward, we believe there may be significant challenges in its implementation, particularly for large multinational corporations. New systems and controls may be required to calculate median employee income. More details to come on this topic once the SEC issues its proposed rules.

**Recovery of erroneously awarded compensation (clawbacks).** The Sarbanes-Oxley Act introduced clawback requirements for public companies. Those provisions generally required clawback of CEO and CFO awards in the event of financial restatement as a result of misconduct. The Act significantly expands on this, by requiring clawback from current or former executive officers of any erroneously awarded compensation in the three years prior to an accounting restatement—whether or not the restatement resulted from misconduct.

Again, while no effective date was established in the Act, the SEC has tentatively announced expected rulemaking in Spring 2011. We provide more discussion and insight into clawback provisions in [Dataline 2010-36](#), *Stock-compensation arrangements—Accounting for clawbacks*, and in PwC’s [10Minutes on compensation](#).

As with most aspects of the Act subject to future rulemaking, there are many details still to be determined. For example, will the three-year look-back start from the date the financial restatement is discovered, the date the accounting error was made, the date the restated financial statements are filed with the SEC, or some other date? Who will be considered an “executive” for purposes of this clawback provision? Will the clawback apply to both cash and share-based compensation? Will it apply to annual bonuses

where the bonus pool is based on operating performance, or only to longer-term deferred compensation arrangements? Until the SEC issues its proposed rules in this area, these questions will remain unanswered.

### ***To the point***

In late September, we released the Fall 2010 edition of *To the point: Current issues for boards of directors*. Each quarter, *To the point* shares insights on select topics of immediate interest to the board. The Fall 2010 edition focuses on the corporate governance provisions of the Dodd-Frank Act, with a deeper dive on say-on-pay and proxy access. Find the latest edition of *To the point* on our [Corporate Governance website](#).

### ***BoardroomDirect***

Proxy access, executive compensation, and recent developments affecting audit committees are key topics addressed in the Fall 2010 edition of PwC's *BoardroomDirect* e-newsletter. Virtually every company is affected by these issues, and *BoardroomDirect* delivers insight on what directors can do to help the companies they represent. *BoardroomDirect* is available on our [Corporate Governance website](#).

### ***Annual Corporate Directors Survey 2010***

We recently released the results of our *Annual Corporate Directors Survey*. The survey results reflect the intelligence we've gathered from over 1,100 directors at more than 800 companies. The survey covers such relevant issues as risk management, compensation, director evaluations, director experience mix, and board diversity, to name just a few. Access the survey results on our [Corporate Governance website](#).

## Appendix

### Effective dates for recently issued standards

ASU 2009-16, <i>Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets</i>	Fiscal years beginning after November 15, 2009
ASU 2009-17, <i>Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities</i>	Fiscal years beginning after November 15, 2009
ASU 2010-10, <i>Consolidation (Topic 810): Amendments for Certain Investment Funds</i>	Annual reporting periods beginning after November 15, 2009
ASU 2010-06, <i>Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements</i>	Interim and annual reporting periods beginning after December 15, 2009 <sup>1</sup>
ASU 2010-07, <i>Not-for-Profit Entities (Topic 958): Not-for-Profit Entities: Mergers and Acquisitions</i>	Annual reporting periods beginning on or after December 15, 2009 <sup>2</sup>
ASU 2009-15, <i>Accounting for Own-Share Lending Arrangements in Contemplation of Convertible Debt Issuance or Other Financing</i>	Fiscal years beginning on or after December 15, 2009
ASU 2010-08, <i>Technical Corrections to Various Topics</i>	Reporting periods beginning after February 2, 2010 <sup>3</sup>
ASU 2010-09, <i>Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements</i>	As of February 24, 2010 <sup>4</sup>
ASU 2010-19, <i>Foreign Currency (Topic 830): Foreign Currency Issues: Multiple Foreign Currency Exchange Rates (SEC Update)</i>	As of March 18, 2010
ASU 2010-12, <i>Income Taxes (Topic 740): Accounting for Certain Tax Effects of the 2010 Health Care Reform Act (SEC Update)</i>	As of April 14, 2010
ASU 2009-13, <i>Revenue Recognition (Topic 605): Multiple-Deliverable Revenue Arrangements</i> <sup>5</sup>	Fiscal years beginning on or after June 15, 2010

<sup>1</sup> The disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements are deferred until fiscal years beginning after December 15, 2010.

<sup>2</sup> Effective for (a) mergers for which the merger date is on or after the beginning of an initial reporting period beginning on or after December 15, 2009; and (b) acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009.

<sup>3</sup> The clarifications of the guidance on embedded derivatives and hedging (ASC 815-15) are effective for fiscal years beginning after December 15, 2009. The amendments to the guidance on accounting for income taxes in a reorganization (ASC 852-740) apply to reorganizations in the first annual reporting period beginning on or after December 15, 2008.

<sup>4</sup> The use of the issued date for a conduit debt obligor is deferred until interim or annual periods ending after June 15, 2010.

ASU 2009-14, <i>Software (Topic 985): Certain Revenue Arrangements That Include Software Elements</i> <sup>5</sup>	Fiscal years beginning on or after June 15, 2010
ASU 2010-11, <i>Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives</i>	Fiscal quarters beginning after June 15, 2010
ASU 2010-17, <i>Revenue Recognition—Milestone Method (Topic 605): Milestone Method of Revenue Recognition</i> <sup>5</sup>	Fiscal years beginning on or after June 15, 2010
ASU 2010-18, <i>Receivables (Topic 310): Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset</i> <sup>5</sup>	Interim or annual periods ending on or after July 15, 2010
ASU 2010-20, <i>Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses</i>	Interim and annual reporting periods ending on or after December 15, 2010 <sup>6</sup>
ASU 2010-25, <i>Plan Accounting—Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans</i> <sup>5</sup>	Fiscal years ending after December 15, 2010
ASU 2010-13, <i>Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades</i> <sup>5</sup>	Fiscal years beginning on or after December 15, 2010
ASU 2010-15, <i>Financial Services—Insurance (Topic 944): How Investments Held through Separate Accounts Affect an Insurer’s Consolidation Analysis of Those Investments</i> <sup>5</sup>	Fiscal years beginning after December 15, 2010
ASU 2010-16, <i>Entertainment—Casinos (Topic 924): Accruals for Casino Jackpot Liabilities</i> <sup>5</sup>	Fiscal years beginning on or after December 15, 2010
ASU 2010-23, <i>Health Care Entities (Topic 954): Measuring Charity Care for Disclosure</i> <sup>5</sup>	Fiscal years beginning after December 15, 2010
ASU 2010-24, <i>Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries</i> <sup>5</sup>	Fiscal years beginning after December 15, 2010
ASU 2010-26, <i>Financial Services—Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts</i> <sup>5</sup>	Fiscal years beginning after December 15, 2011

<sup>5</sup> A consensus of the FASB Emerging Issues Task Force

<sup>6</sup> For public entities, the disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. [Note: The FASB recently issued an exposure draft proposing to delay for public companies the effective date of the disclosure requirements related to troubled debt restructuring activity.] For nonpublic entities, all disclosures are effective for annual reporting periods ending on or after December 15, 2011.

---

**Edited by:**

**Jan Hauser**

Partner

Phone: 1-973-236-7216

Email: [jan.hauser@us.pwc.com](mailto:jan.hauser@us.pwc.com)

**Douglas Parker**

Partner

Phone: 1-973-236-4707

Email: [douglas.t.parker@us.pwc.com](mailto:douglas.t.parker@us.pwc.com)

**Saira Gilani**

Senior Manager

Phone: 1-973-236-5335

Email: [saira.s.gilani@us.pwc.com](mailto:saira.s.gilani@us.pwc.com)

**Angela Ferguson**

Director

Phone: 1-408-817-1216

Email: [angela.fergason@us.pwc.com](mailto:angela.fergason@us.pwc.com)

---

*The quarter close* is prepared by the National Professional Services Group of PwC. This publication has been prepared for general information on matters of interest only, and does not constitute professional advice on facts and circumstances specific to any person or entity. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication. The information contained in this material was not intended or written to be used, and cannot be used, for purposes of avoiding penalties or sanctions imposed by any government or other regulatory body. PwC, its members, employees and agents shall not be responsible for any loss sustained by any person or entity who relies on this publication.

© 2010 PwC. All rights reserved. "PwC" refers to PricewaterhouseCoopers LLP, a Delaware limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

To access additional content on accounting and reporting issues, register for CFOdirect Network ([www.cfodirect.pwc.com](http://www.cfodirect.pwc.com)), PwC's online resource for financial executives.