

PricewaterhouseCoopers
Current Accounting and Reporting
Developments Webcast – Q4 2009
December 3, 2009

Current Accounting and Reporting Developments Webcast

Michael Gallagher
National Professional Services Group Leader

CPE & Evaluation

In order to receive CPE credit for this program, you must stay on for the entire program.

You must respond to the multiple choice questions.

If you are viewing this webcast in a group, everyone in the group can receive CPE credit.

Please complete the evaluation that will appear at the end of the webcast.

Today's program will be worth approximately 1.5 CPE credits.

Polling Question #1

What type of Company are you associated with?

- A. Public company
- B. Private company
- C. Public accounting firm (other than PwC)
- D. PwC
- E. Other / Not applicable

Polling Question #2

How often does your company submit comment letters to accounting standard setting bodies such as the FASB?

- A. Often
- B. Sometimes
- C. Rarely
- D. Never

FASB Update

Jan Hauser
Partner

FASB Update Agenda

Current Update

- Proposed Amendments to FAS 167
- Disclosure about Fair Value Measurement
- Subsequent Events Clarifications

EITF Update

Update on Selected Major Projects

- Financial Instruments
- Revenue Recognition
- Leases
- Financial Statement Presentation

Proposed Amendments to FAS 167 – Deferral and Other Clarifications

- Proposed deferral for certain asset management funds
- Mutual funds, hedge funds, private equity funds, venture capital funds, and certain mortgage REITs likely to qualify
- Money market funds will also be granted deferral
- Disclosure provisions of FAS 167 still applicable
- Other clarifications proposed in determining whether fees paid to decision makers or service providers are variable interests
- Effective date will coincide with FAS 167 effective date
- Exposed for 30 day comment period and finalized early January

Improving Disclosures about Fair Value Measurements

- Deliberations complete and final guidance expected in December 2009
- Sensitivity analysis on level 3 measures deferred
- Other disclosure requirements include:
 - Descriptions on the transfers between level 1 and 2 measurements
 - Change to the presentation of the activity within the level 3 reconciliation (previously - “net” and now – “gross”)
- New phased effective date (for calendar year-end companies)
 - Level 3 presentation– January 1, 2011
 - All other changes – January 1, 2010

Subsequent Events Clarification

- Subsequent Events standard was codified in the accounting literature in Q2 (effective in Q2 for calendar year-end companies)
- FASB to issue exposure draft in December 2009 intended to resolve potential conflicts in the differences between US GAAP and SEC requirements
 - Disclose date for originally issued and ‘restated’ financial statements unless the financial statements are included in filings with the SEC
- Comments will be due in January 2010
- Effective upon issuance of final update (likely Q1 2010)

EITF Highlights

Final consensus

- Distribution that includes stock and cash (09-E)

Consensus-for-exposure

- Casino base jackpot liabilities (09-F)
- Stock options denominated in trading currency (09-J)
- **Loan modification when loan is part of a pool (09-I)**
- **Deferred acquisition costs of insurance entities (09-G)**

No further discussion is planned

- R&D in asset acquisition (09-2)

EITF Issue 09-1, *Effect of a Loan Modification When the Loan Is Part of a Pool that is Accounted for as a Single Asset*

Background

- Purchased loans that are credit impaired may be pooled if they share common risk characteristics
- Pooled loans are accounted for as a single pooled asset
- Issue is whether modified loans should be removed from pool and treated as troubled debt restructuring (TDR)

Consensus-for-exposure

- Do not apply TDR accounting to individual loans
- Recommended that FASB address disclosure as part of finance receivable and credit loss project

EITF Issue 09-G, *Clarification of the Definition of Deferred Acquisition Costs of Insurance Entities*

Background

- Acquisition costs that “vary with and are primarily related to” new and renewal insurance contracts are currently deferred and capitalized

Consensus-for-exposure

- Acquisition costs “directly related to” new or renewal insurance contracts should be capitalized
- Excludes costs related to unsuccessful efforts and advertising
- More consistent with existing accounting recognition of loan origination costs

Revenue Recognition: Multiple-Deliverables and Software Elements

Final guidance issued in October - early adoption allowed

Requires use of 'best estimate of selling price' when VSOE and TPE cannot be determined; residual method eliminated

More transactions will be excluded from scope of software revenue guidance

Implementation considerations

- Significant judgments
 - Developing estimates of selling price
 - Applying guidance to modified contracts
 - Evaluating standalone value
 - Distinguishing software from non-software deliverables
- Transition Issues

Update on Selected Major Projects

Update on Financial Instruments Project

Key Points

- Joint project will reassess all aspects of financial instrument accounting, including recognition, measurement, impairment, and hedge accounting
- IASB: Conducting project in three phases: (1) classification and measurement (2) impairment, and (3) hedge accounting
- FASB: Will issue one comprehensive standard

Update on Financial Instruments Project

IASB

- Recently issued its finalized standard on classification and measurement of financial assets (IFRS 9)
- Recently issued its exposure draft on impairment
- Will address classification and measurement of financial liabilities and hedge accounting at a later stage

IASB and FASB have also expressed fundamentally different viewpoints to date

Update on Revenue Recognition Project

Key Points from Discussion Paper

- Single, contract-based, asset and liability model
- Revenue recognized upon the satisfaction of performance obligations, which occurs when control of an asset (whether a good or service) transfers to the customer

Scope

- All contracts with customers
- Possible scope exclusions for financial instruments, leases and insurance

Update on Revenue Recognition project

The proposed model

- Contract – based model
 - Rights to receive consideration
 - Obligations to perform

Performance obligations

Key deliberations remaining

Next Steps

- Assessment of model through global roundtables

Update on the Leasing Project

Key Points from Discussion Paper

- Proposal to eliminate off-balance sheet accounting; essentially all assets currently leased under operating leases will appear on balance sheets under the new proposal
- Performance measures will change as rent expense will be replaced by interest and depreciation expenses.
- No grandfathering of existing leases

Lessee accounting

- Boards continue to support right of use model

Update on the Leasing Project

Lessor Accounting – tentative decisions reached:

- Performance obligation model - new right created
 - Asset remains on balance sheet
 - Separate receivable and performance obligation recognized

Update on Financial Statement Presentation Project

Key Points from Discussion Paper

- Cash Flows Statements under ‘direct method’ of presentation and line by line reconciliation to Statement of Comprehensive Income
- Disaggregated presentation of Comprehensive Income Statement

Tentative decisions reached

- Board continues to support direct method
- Eliminate line by line reconciliation
- Includes disaggregation principle

Next Steps

Polling Question #3

What is your current feeling regarding the movement toward IFRS in the US?

- A. Momentum is increasing
- B. No change from previous periods
- C. Momentum is decreasing
- D. Have not followed

Relevant Issues Going Into Year-End

Debbie O'Connell, Partner
Jennifer Spang, Partner

Goodwill impairments

Disclosure Considerations

- SEC comments early in the year frequently sought detailed goodwill disclosures
 - Tabular presentation of carrying value and fair value of each reporting unit
 - All significant inputs used in estimating fair value with a sensitivity analysis
- Staff is analyzing these disclosures and may issue additional guidance in the near future

Goodwill impairments

Disclosure Considerations

- Consider focusing disclosures on reporting units with a reasonable likelihood of a material goodwill impairment
- For each such reporting unit, consider disclosing the following:
 - Amount of goodwill assigned
 - Relationship between fair value and carrying value
 - Qualitative discussion of key assumptions
 - Significant uncertainties surrounding those assumptions
 - Events that could negatively affect the reporting unit's fair value

Goodwill impairments

Disclosure Considerations

- For goodwill impairments, consider disclosure regarding the future implications to the business of the conditions that resulted in goodwill impairment

Going Concern and Liquidity Disclosures

Liquidity Disclosures

- Where a company has a committed credit facility management should
 - Evaluate whether there are limitations on the company's ability to borrow the full amount
 - Consider expanded disclosures when those limitations may become an issue in the near term

Going Concern and Liquidity Disclosures

Liquidity Disclosures

- When credit facilities contain provisions which could restrict the amount a company may borrow, such as a borrowing base or leverage covenant, consider disclosing
 - How those restrictions work
 - The associated risks
 - Alternative sources of capital
 - The impact on the business and development plans if alternative sources of capital become unavailable

Going Concern and Liquidity Disclosures

Liquidity Disclosures

- Management should also consider the risks associated with lenders participating in credit facilities
 - Whether or not those lenders will be able to meet their funding commitments
 - Consider disclosing the banks participating in credit facilities

Going Concern and Liquidity Disclosures

Liquidity Disclosures

- Also consider disclosing
 - Future plans to raise capital
 - Whether management foresees any issues in accessing capital markets
 - How business would be impacted if capital can't be raised

Going Concern and Liquidity Disclosures

Going Concern Disclosures

- Consider providing expanded disclosures surrounding conditions or events that may raise substantial doubt about an entity's ability to continue as a going concern, even in situations in which an explanatory paragraph pursuant to AU 341, "The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern", is not required

SAB 74 Disclosures

SAB 74 (SAB Topic 11-M) requires disclosure of the future impact of recently issued accounting standards, including:

- A discussion of the impact that adoption of the new standard will have on the financial statements
- Disclosure of the potential impact of other significant matters resulting from adoption, such as:
 - Technical debt covenant violations
 - Changes in business practices

Relevant tax law developments

Significant tax law changes in the fourth quarter include

- Increase in US NOL carryback period
- Mexican Tax Reform Bill
- France Draft Finance Act

Effects of tax law changes are recognized in continuing operations in the period that includes the enactment date

Relevant tax law developments

Tax credits and incentives

- Increased use of tax credit and incentive programs
- Impacts many industries
- Accounting impacted by whether the credit is dependent upon taxable income
 - Certain credits accounted for under income tax model
 - Other credits accounted for as government grants

Obama's international tax reform

Tax accounting hot topics

Uncertain tax positions

- Nonpublic companies are required to adopt guidance and comply with modified disclosure requirements

Income tax considerations in goodwill impairment analysis

Year-end provision reminders

Polling Question #4

How do you track developments in FASB standard setting activities and SEC releases?

- A. Email alerts from them
- B. Notified by a professional service provider (like PwC)
- C. Professional journals/newspapers
- D. Other

XBRL Update

Dave Sharpe
Partner

XBRL Update

- Recent marketplace experience with initial phase-in of SEC Mandate
- Knowledge sharing to enhance implementation plans and help avoid common pitfalls
- Getting in-front of detailed tagging requirements applicable in 'Year 2'
- How PwC can help

Contact – Dave Sharpe

Telephone: +1 973 236 4208

david.h.sharpe@us.pwc.com

Corporate Governance

John Barry
Partner

Key governance influencers

Proxy advisory firms

- RiskMetrics (formerly ISS), Glass Lewis, PROXY Governance

Major investors

- Institutional: CalPERS, TIAA-CREF
- Union/Labor: AFSCME, AFL-CIO
- Activist hedge funds

Delaware courts

Political and regulatory activity

- Congress
- SEC

Hot topics in corporate governance

Executive compensation

Say on pay

Proxy access

Broker voting

Risk management / risk committees

Suggested actions

Executive compensation / Say on pay

- Evaluate, and where possible eliminate, controversial compensation provisions
- Ensure CD&A is clear – pay for performance and risk and reward alignment

Proxy access / Broker voting

- Be able to describe the relevant skills and experiences of directors
- Consider engaging a proxy solicitation firm to “get out the vote”

Suggested actions

Risk management / risk committees

- Ensure board fully understands the company's risk management process
- Ensure the process can be clearly described in the proxy

General

- Consider engaging key shareholders in discussions of important issues
- More transparency – plain English

Polling Question #5

Are the chairman and CEO roles (or their equivalents) held by the same person in your organization?

A. Yes

B. No

C. Not applicable

Polling Question #6

Which one of the following areas would you most like to see covered in our March webcast?

- A. More guidance on fair value and financial instruments
- B. Emerging Standards
- C. SEC comment letter trends
- D. Washington political updates
- E. Other

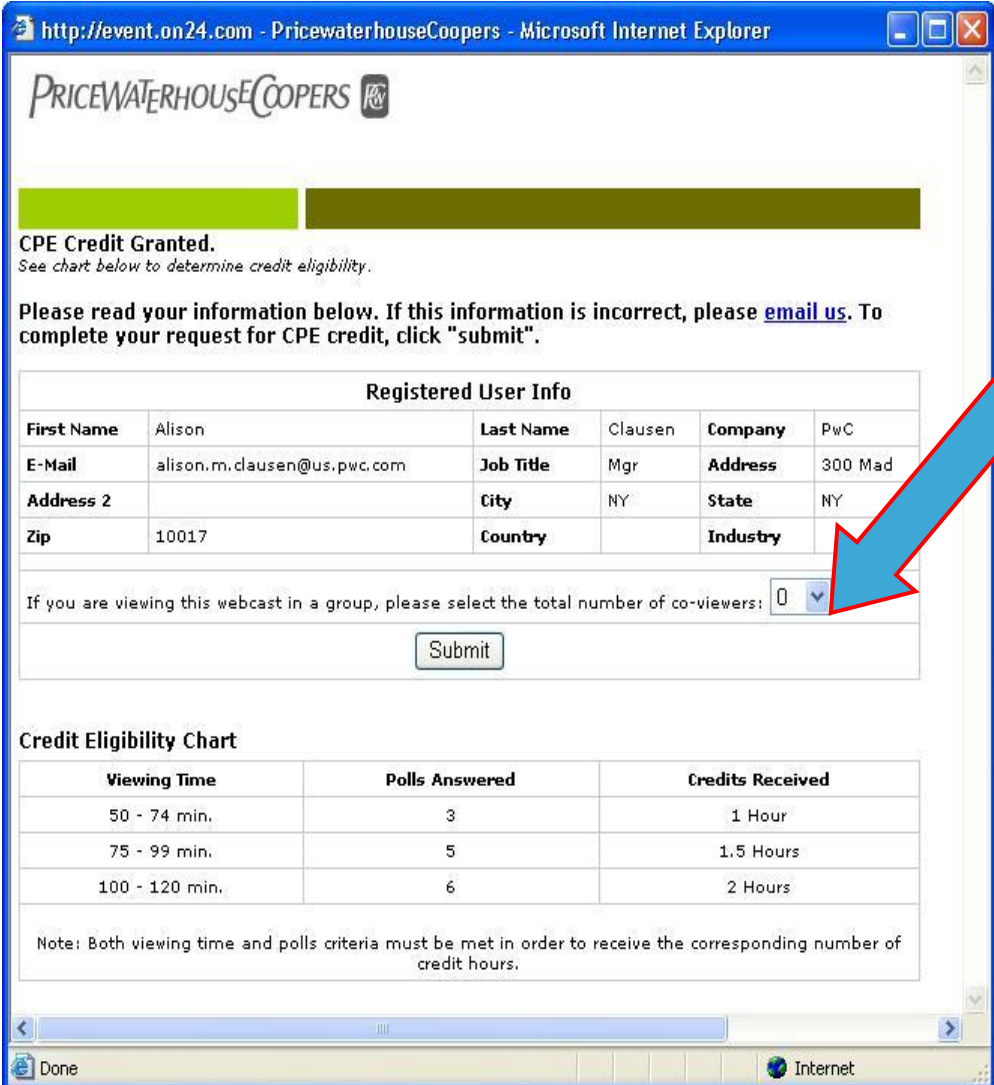
Q&A

CPE Certificates

Click “*Request CPE*”
(button under slides)

Group Viewing:

- Click “Request CPE”
- Select the number of co-viewers then click *Submit*.
- Enter group information and check the “*I attest...*” box.
- On the following page, click the *Download Certificate* link.
- Certificates will open for each viewer.




http://event.on24.com - PricewaterhouseCoopers - Microsoft Internet Explorer

PRICEWATERHOUSECOOPERS

CPE Credit Granted.
See chart below to determine credit eligibility.

Please read your information below. If this information is incorrect, please [email us](#). To complete your request for CPE credit, click "submit".

| Registered User Info | | | | | |
|----------------------|-----------------------------|------------------|---------|-----------------|---------|
| First Name | Alison | Last Name | Clausen | Company | PwC |
| E-Mail | alison.m.clausen@us.pwc.com | Job Title | Mgr | Address | 300 Mad |
| Address 2 | | City | NY | State | NY |
| Zip | 10017 | Country | | Industry | |

If you are viewing this webcast in a group, please select the total number of co-viewers: 

| Credit Eligibility Chart | | |
|--------------------------|----------------|------------------|
| Viewing Time | Polls Answered | Credits Received |
| 50 - 74 min. | 3 | 1 Hour |
| 75 - 99 min. | 5 | 1.5 Hours |
| 100 - 120 min. | 6 | 2 Hours |

Note: Both viewing time and polls criteria must be met in order to receive the corresponding number of credit hours.

CPE Credit for PwC Partners and Staff

No action required.

Unlike previous quarterly webcasts, PwC partners and staff do not need to submit CPE certificates as supplemental learning to Learning at PwC.

Credit will now be automatically posted to Learning at PwC for those PwC partners and staff that met the minimum CPE requirements during the live webcast and are eligible for CPE credit.

To determine CPE eligibility, click the “Request CPE” link under the slide area.

PricewaterhouseCoopers

Current Accounting and Reporting Developments Webcast – Q4 2009

December 3, 2009