

October 2007, No. 07-31

# Defining Issues®

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## Alert

### FASB Retains Effective Date of Statement 157, Will Delay Effective Date of SOP 07-1

The FASB decided against a comprehensive delay of the effective date of Statement 157 on fair-value measurements, directing its staff to analyze selectively deferring the Statement's effective date.<sup>1</sup> The FASB will propose an indefinite delay of the effective date of Statement of Position 07-1, which defines "investment company" for purposes of applying the specialized industry accounting in the AICPA guide.<sup>2</sup>

Statement 157 is effective for fiscal years beginning after November 15, 2007 (January 1, 2008 for calendar-year companies). SOP 07-1 was to be effective for fiscal years beginning on or after December 15, 2007. The Board's reconsideration of the effective dates was a response to requests received from organizations and companies.

#### **Statement 157**

Although the majority of Board members did not favor a comprehensive delay for applying Statement 157, the FASB authorized its staff to study the potential consequences of delaying Statement 157 for certain kinds of items subject to its measurement guidance and for entities meeting certain thresholds. The possibilities include deferring Statement 157's requirements for nonfinancial assets and liabilities other than derivatives within the scope of Statement 133, for private entities, and for public companies below a yet-to-be specified size.<sup>3</sup> The staff's conclusions and analysis, as well as a staff summary of significant financial-instrument implementation issues and implementation issues identified by the newly formed Valuation Research Group, will be considered by the FASB at future meetings.

SEC registrants continue to be expected to disclose in Management's Discussion and Analysis the expected effects of adopting Statement 157 and to consider disclosure in the

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<sup>1</sup> FASB Statement No. 157, Fair Value Measurements, September, 2006, available at [www.fasb.org](http://www.fasb.org).

<sup>2</sup> AICPA Statement of Position 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies, June 2007.

<sup>3</sup> FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, June 1998, available at [www.fasb.org](http://www.fasb.org).



This is a publication of KPMG's  
Department of Professional  
Practice—Audit  
212-909-5600

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Earlier editions are available at:  
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notes to the financial statements as required by SAB 74.<sup>4</sup> The disclosures should describe how the requirements of the Statement differ from the company's existing accounting policies.

**SOP 07-1**

The FASB delayed the effective date of SOP 07-1 indefinitely primarily because of concerns over implementation issues arising from the interaction between the SOP and Statements 157 and 159 and because of the short implementation period between its issuance on June 11, 2007 and its effective date.<sup>5</sup> Board members agreed to add a project to the technical agenda to consider amending the SOP to address implementation issues. A new effective date will be determined after the FASB addresses implementation issues and potential amendments.

The FASB also decided that early adoption will not be permitted during the indefinite deferral of SOP 07-1, but that previous early adoptions would be allowed to continue.

The proposal to defer the effective date of SOP 07-1 will be exposed for public comment for 30 days.

The descriptive and summary statements in this newsletter are not intended to be a substitute for the minutes of the FASB meeting or any cited or potential accounting literature or SEC regulations. Companies complying with GAAP or filing with the SEC should apply the texts of the relevant laws, regulations, and accounting requirements, consider their particular circumstances, and consult their accounting and legal advisors.

<sup>4</sup> SEC Staff Accounting Bulletin No. 74, Disclosure Of The Impact That Recently Issued Accounting Standards Will Have On The Financial Statements Of The Registrant When Adopted In A Future Period.

<sup>5</sup> FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, February 2007, available at [www.fasb.org](http://www.fasb.org).