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SIGNIFICANT ACCOUNTING & REPORTING MATTERS



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▶ FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

FINAL FASB GUIDANCE

All final FASB guidance can be accessed on the FASB website at <http://www.fasb.org/home> located under the *Standards* tab, *Accounting Standards Updates*.

Accounting Standards Update 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)

Issued: July 2013

Summary: The amendments in this Update require an entity with an unrecognized tax benefit that is ‘not available’ or not intended to be used at the reporting date to present the unrecognized tax benefit as a liability that should not be combined with deferred tax assets. Otherwise, the unrecognized tax benefit should be presented as a reduction to the related deferred tax asset. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date.

For additional information on this ASU, refer to BDO’s Flash Report at: <http://www.bdo.com/download/2740>.

Effective Date: The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted. The amendments should be applied prospectively, although retroactive application is permitted.

Accounting Standards Update 2013-10, Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (a consensus of the FASB Emerging Issues Task Force)

Issued: July 2013

Summary: The amendments in this Update permit the use of the Fed Funds Effective Swap Rate (also referred to as the Overnight Index Swap Rate, or OIS) as a benchmark interest rate for hedge accounting purposes. Previous U.S. GAAP permitted only the interest rates on direct U.S. Treasury obligations and, for practical reasons, the LIBOR swap rate to be used as benchmark interest rates.

For additional information on this ASU, refer to BDO’s Flash Report at: <http://www.bdo.com/download/2739>.

Effective Date: The amendments in this Update are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013.

Accounting Standards Update 2013-09, *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04*

Issued: July 2013

Summary: The amendments in this Update defer indefinitely the effective date of certain required disclosures in Update 2011-04 (Topic 820) of quantitative information about the significant unobservable inputs used in Level 3 fair value measurements for investments held by a nonpublic employee benefit plan in its plan sponsor's own nonpublic entity equity securities. This includes equity securities of its plan sponsor's nonpublic affiliated entities. The amendments in this Update do not defer the effective date for those certain quantitative disclosures for other nonpublic entity equity securities held in the nonpublic employee benefit plan or any qualitative disclosures.

Effective Date: The deferral in this amendment is effective upon issuance for financial statements that have not been issued.

PROPOSED FASB GUIDANCE

The following is a summary of significant proposed guidance that was issued or was open for comment during the quarter. All proposed FASB guidance can be accessed on the FASB website at <http://www.fasb.org/home> located under the *Exposure Documents* tab. In addition, BDO comment letters on all proposals can be accessed at <http://www.bdo.com/publications/assurance>.

Proposed Accounting Standards Update, *Consolidation (Topic 810): Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements (a proposal of the Private Company Council)*

Issued: August 22, 2013

Comment Deadline: October 14, 2013

Summary: The proposed amendments would permit a private company to elect not to apply variable interest entity (VIE) guidance for assessing whether it should consolidate a lessor entity when (1) the lessor entity and the private company are under common control, (2) the private company has a leasing arrangement with the lessor entity, and (3) substantially all of the activity between the two entities is related to the leasing activity of the lessor entity.

Effective Date: The effective date will be determined after the Board considers the feedback on the proposed amendments.

Proposed Accounting Standards Update, *Definition of a Public Business Entity: An Amendment to the Master Glossary*

Issued: August 7, 2013

Comment Deadline: September 20, 2013

Summary: The proposed ASU would define a public business entity as a business entity meeting any one of the following criteria:

1. It is required by the SEC to file or furnish financial statements, or does file or furnish financial statements, with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
2. It is required by the Securities Exchange Act of 1934, as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency.
3. It is required to file or furnish financial statements with a regulatory agency in preparation for the sale of securities or for purposes of issuing securities.
4. It has (or is a conduit bond obligor for) unrestricted securities that are traded or can be traded on an exchange or an over-the-counter market.
5. Its securities are unrestricted, and it is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement.

The definition will be used to determine which entities are eligible for Private Company Council accounting alternatives, as well as future standard-setting by the FASB, the EITF and the PCC that distinguishes between public and private entities.

For additional information on this Proposed ASU, refer to BDO's Flash Report at: <http://www.bdo.com/download/2769>.

Effective Date: The Board would not finalize the amendments in this proposed Update until the new term *public business entity* is used in an amendment to a Topic in the ASC. Therefore, the effective date of the amendments in this proposed Update would be established concurrently with the first Update that uses the definition of a public business entity.

Proposed Accounting Standards Update, *Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring (a consensus of the FASB Emerging Issues Task Force)*

Issued: July 19, 2013

Comment Deadline: September 17, 2013

Summary: The proposed guidance would clarify that a creditor should be considered to have taken physical possession of a real estate property collateralizing a loan and therefore should reclassify the loan from its credit portfolio to other real estate owned (OREO) when: a) it obtains legal title to the property; or b) the borrower conveys all interest in the real estate property to the lender to satisfy that loan even though legal title may not have passed (i.e., deed in lieu of foreclosure agreement).

For additional information on this Proposed ASU, refer to BDO's Flash Report at: <http://www.bdo.com/download/2745>.

Effective Date: The effective date of the proposal will be determined after considering stakeholder feedback on the proposed guidance.

Proposed Accounting Standards Update (revised), *Consolidation (Topic 810) Measuring the Financial Liabilities of a Consolidated Collateralized Financing Entity (a consensus of the FASB Emerging Issues Task Force)*

Issued: July 19, 2013

Comment Deadline: September 17, 2013

Summary: The amendments in this proposed Update would define a collateralized financing entity as an entity that holds financial assets, issues beneficial interests in those financial assets, and has no more than nominal equity. The proposed amendments would allow a reporting entity to measure the financial liabilities of the collateralized financing entity using the following calculation:

1. The sum of the following two amounts:
 - a. The fair value of the financial assets held by the collateralized financing entity; and
 - b. The carrying value of any nonfinancial assets held by the collateralized financing entity.
2. Less the sum of the following two amounts:
 - a. The sum of the fair value of financial assets and the carrying value of nonfinancial assets attributable to the beneficial interest owned by the reporting entity; and
 - b. The carrying value of any beneficial interests that represent compensation for services rendered by the reporting entity.

Effective Date: The amendments in this proposed Update would be effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments in this proposed Update would be effective for fiscal years beginning after December 15, 2014, and interim and annual periods after that date. Early adoption would be permitted. However, the effective date of the amendments in this proposed Update will be redeliberated after the Task Force considers stakeholder feedback on this proposed Update.

Proposed Accounting Standards Update, *Service Concession Arrangements (Topic 853)* (a consensus of the FASB Emerging Issues Task Force)

Issued: July 19, 2013

Comment Deadline: September 17, 2013

Summary: The amendments in this proposed Update clarify that service concession arrangements would not be subject to leasing guidance in Topic 840 if certain criteria are met, but rather, would be subject to other applicable guidance (e.g., Topic 605). Service concession arrangements are contracts under which a public sector entity (grantor) grants a private entity (an operating entity) the right to operate and/or maintain the grantor's infrastructure assets (for example, airports, roads, bridges, tunnels, prisons, and hospitals).

Effective Date: The effective date will be determined after the Task Force considers stakeholder feedback on the proposed Update. The amendments in this proposed Update would be applied on a modified retrospective basis by recognizing the cumulative effect of applying the guidance to arrangements existing at the beginning of the period of adoption as an adjustment to the opening retained earnings for the period of adoption.

Proposed Accounting Standards Update, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination* (a proposal of the Private Company Council)

Issued: July 1, 2013

Comment Deadline: August 23, 2013

Summary: The proposed amendments would provide guidance about an accounting alternative for the recognition, measurement, and disclosure of identifiable intangible assets acquired in a business combination. Private entities would have the option to recognize only those identifiable intangible assets arising from noncancelable contractual terms or those arising from other legal rights. The proposed amendments generally would result in private entities recognizing fewer intangible assets in a business combination than under current U.S. GAAP because not all identifiable intangible assets would be recognized separately, as currently required under Topic 805.

Effective Date: The accounting alternative for identifiable intangible assets would be effective prospectively for all business combinations entered into during fiscal years, and interim periods within those years, beginning on or after the effective date. The effective date will be determined after the PCC considers stakeholder feedback on this proposed Update. Early application would be permitted.

Proposed Accounting Standards Update, *Goodwill and Other (Topic 350): Accounting for Goodwill (a proposal of the Private Company Council)*

Issued: July 1, 2013

Comment Deadline: August 23, 2013

Summary: The proposed amendments would provide guidance about an accounting alternative for the subsequent measurement of goodwill. A private entity within the scope of the proposed amendments that elects the accounting alternative would amortize goodwill on a straight-line basis over the useful life of the primary asset acquired in a business combination, not to exceed 10 years. A primary asset is the long-lived asset that is the most significant asset of the acquired entity. Goodwill would be tested for impairment only when a triggering event occurs that would indicate that the fair value of an entity may be below its carrying amount. Moreover, goodwill would be tested for impairment at the entity-wide level rather than at the reporting unit level. The goodwill impairment loss, if any, would represent the excess of an entity's carrying amount over its fair value. The goodwill impairment loss would not exceed the carrying amount of goodwill.

Effective Date: The accounting alternative for goodwill would be applied prospectively for all existing goodwill and for all new goodwill generated in business combinations after the effective date. The effective date will be determined after the PCC considers stakeholder feedback on this proposed Update.

Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps (a proposal of the Private Company Council)*

Issued: July 1, 2013

Comment Deadline: August 23, 2013

Summary: The amendments in this proposed Update would provide two simpler approaches, the combined instruments approach and the simplified hedge accounting approach, to account for swaps that are entered into for the purposes of economically converting variable-rate borrowing to fixed-rate borrowing. Under both approaches, the periodic income statement charge for the interest expense would be similar to the amount that would result if the entity had directly entered into fixed-rate borrowing, instead of variable-rate borrowing and a swap. Alternatively, that entity could continue to follow the current guidance in Topic 815. Certain criteria must be met in order for a private entity to apply either of the alternative approaches offered in the proposed Update.

Effective Date: The effective date will be determined after considering stakeholder feedback on the proposed Update. Private entities within the scope of this proposed Update would be provided with an option to apply the amendments in this proposed Update using either a modified retrospective approach or a full retrospective approach. Early adoption would be permitted.

Proposed Accounting Standards Update, *Insurance Contracts (Topic 834)*

Issued: June 27, 2013

Comment Deadline: October 25, 2013

Summary: The proposed ASU provides guidance that would require an entity to measure its insurance contracts under one of two measurement models, referred to as the building block approach (for most life, annuity, and long-term health contracts) and the premium allocation approach (for most property, liability, and short-term health contracts).

Contracts accounted for using the building block approach generally would be measured in a way that portrays a current assessment of the insurance contract, with measurement based on fulfillment cash flows and margin representing profit at risk both initially and at the end of subsequent reporting periods.

An entity applying the premium allocation approach would include a liability for remaining coverage that represents the premium written (gross cash inflows) that is not yet earned and is released in subsequent periods on the basis of the expected timing of incurred claims and benefits. A separate liability would be recorded when the claim is incurred and be measured based on the expected value of the present value of future cash flows to settle the claims and related expenses.

Effective Date: The Board will establish the effective date of the requirements when it issues the final amendments. The effective date for nonpublic entities would likely be a minimum of one year after the effective date for public entities. An entity would apply the proposed guidance retrospectively, restating all comparative periods presented. Early adoption would be prohibited.

Proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205): Disclosure of Uncertainties about an Entity's Going Concern Presumption*

Issued: June 26, 2013

Comment Deadline: September 24, 2013

Summary: The proposed Update provides guidance applicable to all entities for determining whether footnote disclosures are necessary about going concern uncertainties and, if disclosures are required, the relevant content. Additionally, the proposed Update would require an SEC filer to determine and disclose whether substantial doubt exists regarding the entity's going concern presumption. As such, under the proposed Update, management would have primary responsibility for the going concern assessment under U.S. GAAP. To date this responsibility has rested principally with the independent auditor.

For additional information on this proposed Update, refer to BDO's Flash Report at: <http://www.bdo.com/download/2714>.

Effective Date: The effective date will be determined after the Board considers the feedback on the proposed amendments.

Proposed Accounting Standards Update, *Presentation of Financial Statements (Topic 205): Reporting Discontinued Operations*

Issued: April 2, 2013

Comment Deadline: August 30, 2013

Summary: The amendments in this proposed Update would change the requirements for reporting discontinued operations in Subtopic 205-20, which would more closely align the requirements for reporting discontinued operations in Subtopic 205-20 with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. A discontinued operation would be either of the following:

1. A *component of an entity* or a group of components of an entity that represents a separate major line of business or major geographical area of operations that either has been disposed of or is part of a single coordinated plan to be classified as held for sale in accordance with the criteria in paragraph 360-10-45-9; or
2. A business that, on acquisition, meets the criteria in paragraph 360-10-45-9 to be classified as held for sale.

A *component of an entity* comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment or an operating segment, a reporting unit, a subsidiary, or an asset group.

In addition to amending the definition of discontinued operations, the amendments in this proposed Update would require additional disclosures about discontinued operations and other disposals of individually material components of an organization that do not qualify for discontinued operations presentation in the financial statements. The proposed amendments also would expand the disclosures about an organization's continuing involvement with a discontinued operation.

For additional information on this Proposed ASU, refer to BDO's Flash Report at: <http://www.bdo.com/download/2556>.

Effective Date: The effective date will be determined after the Board considers the feedback on the amendments in this proposed Update. The proposed amendments would be applied prospectively to all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after the period of adoption, with earlier application permitted.

Emerging Issues Task Force Issues - Consensuses-for-Exposure

Status: The Task Force has reached consensus-for-exposure on each of the following Issues as of September 13, 2013; FASB ratification occurred at the October 2, 2013 FASB meeting, and proposed ASUs are expected shortly. A comment period (typically 60 days) will be provided for each of the exposure drafts.

Issue 13-D: Determining Whether a Performance Target That Can Be Achieved after the Requisite Service Period Is a Performance Condition or a Condition That Affects the Grant-Date Fair Value of the Awards

Summary: The EITF concluded that a performance target associated with a share-based compensation award that is allowed to be achieved after the requisite service period should be treated as a performance condition that affects the vesting of the award. That is, the performance target would be excluded from the grant-date fair value estimate. The amendments to be proposed would not change guidance in Topic 718 as it relates to awards with performance conditions that affect vesting.

Issue 13-G: Determining Whether the Host Contract in a Hybrid Financial Instrument Is More Akin to Debt or Equity

Summary: The EITF concluded that an entity should consider all stated and implied substantive terms and features of a hybrid financial instrument issued in the form of a share when determining whether the host contract is more akin to equity or debt. This is commonly known as "the whole instrument" approach. In addition, the EITF concluded that an investor's fixed-price, non-contingent redemption option should not lead to the presumption that the host is more akin to debt. Rather, the nature of the host contract would depend upon the economic characteristics and risks of the entire hybrid financial instrument.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant FASB publications and activities, with particular focus on the recent developments of the FASB and IASB's joint projects.

Update on International Convergence

The FASB and the IASB continue their efforts on a number of joint projects, including revenue recognition, financial instruments, and leases. Third quarter developments are detailed below by topic.

Leases - The revised exposure draft was issued in May 2013, and the comment period closed in September 2013. The exposure draft was criticized by most constituents for its cost and complexity, and many questioned whether it would provide improved information to users of the financial statements. The Boards are conducting public roundtables and other forms of outreach as they approach redeliberations.

For more information, refer to BDO's Flash Report accessible at: <http://www.bdo.com/download/2636>; or Ac'sense self study course: *Reproposed Lease Exposure Draft Update*, accessible at: <http://www.bdo.com/acsense/events/LeaseStd.aspx>. BDO's comment letter is available at <http://www.bdo.com/download/2807>.

Revenue - The Boards are conducting final deliberations and are attempting to issue the final standard on revenue recognition by the end of the fourth quarter of 2013. Constituents have raised significant concerns about the proposed accounting for customer credit risk, variable consideration and licenses of intellectual property, which could take additional time for the Boards to resolve.

Financial Instruments - Impairment - The FASB and IASB independently issued exposure drafts on this topic. However, the Boards are jointly considering the comments received on both models with a view toward improving convergence in the final standards, which are planned for 2014. .

Financial Instruments - Classification and Measurement - The FASB issued an ED on recognition and measurement of financial instruments during the first quarter, and a subsequent ED during the second quarter proposing consequential amendments to the various FASB Accounting Standards Codification Topics that will be impacted by the recognition and measurement ED. The comment period on these proposals closed in May 2013, and the Board is considering feedback. The IASB issued its exposure draft on proposed amendments to IFRS 9 in December 2012. The IASB's classification and measurement ED follows the same general principles as the FASB's ED. It provides for the same three categories based upon the instrument's cash flow characteristics and the entity's business model. However, differences remain. For example, the FASB's proposal provides more detailed guidance related to sales of assets classified as amortized cost. The circumstances under which a fair value option can be elected also differ, and IFRS provides an option to classify equity investments as fair value with qualifying changes in fair value recorded in other comprehensive income. Similar to the impairment project, the Boards are working to narrow differences in their respective models, which they plan to finalize in 2014.

For current status of joint FASB/IASB projects, refer to the FASB's Current Technical Plan and Project Updates page at: <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1218220137074>, and IASB's Work Plan for IFRSs at: <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx>.

In addition, refer to BDO's Ac'sense Webinar: Quarterly Technical Update (Q3 2013) available at: <http://www.bdo.com/acsense/events/technicalupdateq32013.aspx>.

Update on Private Company Decision-Making Framework

Summary of Current Developments: During the third quarter, the FASB published for comment four exposure drafts containing proposals of the Private Company Council (PCC), covering the following topics: interest rate swaps, accounting for intangible assets and goodwill, and application of VIE consolidation guidance to common control leasing arrangements. Refer to *Proposed FASB guidance*, above, for further information.

Background: In May 2012, the Financial Accounting Foundation (FAF) established the PCC to improve the standards-setting process in U.S. GAAP for private companies. In July 2012, the FASB published an Invitation to Comment on the FASB Staff Paper, *Private Company Decision-Making Framework: A Framework for Evaluating Financial Accounting and Reporting Guidance for Private Companies*. It outlines an approach for deciding whether and when to modify U.S. GAAP for private companies. The FASB and PCC discussed feedback on the framework and subsequently re-exposed it in April 2013. The framework is scheduled to be finalized this fall to assist the PCC and FASB in future standard-setting. For additional background information on the PCC, refer to previous *Significant Accounting and Reporting Matters* publications, accessible at: <http://www.bdo.com/publications/assurance/index.aspx>.

► PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

FINAL PCAOB GUIDANCE

All proposed PCAOB guidance can be accessed on the PCAOB website at <http://www.pcaobus.org/> located under the *Rules of the Board* tab.

As of the date of this publication, the PCAOB had not adopted any significant final rules during the quarter.

PROPOSED PCAOB GUIDANCE

All proposed PCAOB guidance can be accessed on the PCAOB website at <http://www.pcaobus.org/> located under the *Rules of the Board* tab.

Proposed Auditing Standards: Auditor's Reporting Model and Auditor's Responsibility for Other Information

Issued: August 2013

Comment Deadline: December 11, 2013

Summary: On August 13, 2013, the PCAOB proposed for public comment a new auditing standard, along with related amendments, to enhance the way auditors communicate with investors and other financial statement users about the audit. In addition, the PCAOB proposed a new related auditing standard on the auditor's responsibilities for other information in an annual report.

For additional information, refer to BDO's Flash Report at: <http://www.bdo.com/download/2777>

▶ SECURITIES AND EXCHANGE COMMISSION (SEC)

FINAL SEC GUIDANCE

All SEC Final Rules can be accessed on the SEC website at <http://www.sec.gov/>, located under the *Regulatory Actions* section, *Final Rules*.

(Note: The following pertains to significant accounting and reporting SEC releases. For a complete listing of SEC rules, please refer to the SEC website.)

As of the date of this publication, the SEC had not adopted any significant final rules during the quarter.

PROPOSED SEC GUIDANCE

All SEC Proposed Rules can be accessed on the SEC website at <http://www.sec.gov/>, located under the *Regulatory Actions* section, *Proposed Rules*.

(Note: The following pertains to significant accounting and reporting SEC releases. For a complete listing of SEC rules, please refer to the SEC website.)

Proposed Rule - Pay Ratio Disclosure

Release: 33-9452

Issued: September 18, 2013

Comment Deadline: December 2, 2013

Summary: The SEC proposed this rule to comply with Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The proposal would amend Item 402 of Regulation S-K and require issuers to disclose the median annual total compensation of all employees except the chief executive officer, the annual total compensation of the CEO, and the ratio of the median annual total compensation of all employees to the annual total compensation of the CEO.

For more information, refer to BDO's Flash Report, accessible at: <http://www.bdo.com/download/2816>.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant SEC publications and activities.

SEC Staff Revises Guidance Covering Reporting of Real Estate Acquisitions

Summary: On July 16, 2013, the staff of the SEC's Division of Corporation Finance published a new edition of the Division's Financial Reporting Manual (FRM). The inside cover lists a summary of the paragraphs that were updated. For the most part, the updates provide clarification or make housekeeping changes. However, certain updates to Section 2300 covering real estate acquisitions are noteworthy, including: investment in a pre-existing legal entity; registration and proxy statement requirements for individually insignificant properties; use of pro forma amounts to compute significance; and financial statements of significant lessees. These updates are summarized in BDO's Flash Report, accessible at: <http://www.bdo.com/download/2727>.

Court Vacates SEC Rule Requiring Disclosure of Payments Made by Resource Extraction Issuers

Summary: On July 2, 2013, a federal judge vacated Exchange Act Rule 13q-1 which would have required resource extraction issuers (e.g. oil and gas and mining companies) to disclose certain payments made to the U.S. and foreign governments. Reporting was originally required for resource extraction issuers with fiscal years ending after September 30, 2013. For more information, refer to BDO's *Flash Report* at: <http://www.bdo.com/download/2709>.

▶ INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

FINAL IASB GUIDANCE

All final IASB guidance can be accessed on the IASB website at <http://www.ifrs.org/>, located under the *IFRS* tab, *Standards and Interpretations*.

Financial Instruments: Recognition and Measurement entitled Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

Issued: June 2013

Summary: The purpose of these amendments is to introduce a narrow scope exception to the requirement for the discontinuation of hedge accounting in IAS 39 and IFRS 9. This will have a significant effect on entities that have designated over-the-counter (OTC) derivatives as hedging instruments where those derivatives are now required to be novated to a central clearing counterparty by law - as has been the recent experience in Europe where new regulations have been implemented in response to the G20's commitment to improve transparency and regulatory oversight in the wake of the global financial crisis.

The exception applies if the following criteria are met:

- The novation is required by laws or regulations,
- The novation results in a central counterparty becoming the new counterparty to each of the parties to the novated derivative, and
- The related changes to the terms of the novated derivative are limited to those necessary to effect the terms of the novated derivative.

Effective Date: The amendments are effective for periods beginning on or after January 1, 2014, with early application permitted.

For additional information on the amendments, refer to BDO's IFR Bulletin at:

<http://www.bdointernational.com/Services/Audit/IFRS/IFR-Bulletins-2011/IFRB%202013/IFRB-2013-15.pdf>.

PROPOSED IASB GUIDANCE

The following is a summary of all significant proposed guidance that was issued or was open for comment during the quarter. All proposed IASB guidance can be accessed on the IASB website at <http://www.ifrs.org/>, located under the *Get Involved* tab, *Comment on a Proposal*.

Discussion Paper: A Review of the Conceptual Framework for Financial Reporting

Issued: July 2013

Comment Deadline: January 14, 2014

Summary: This Discussion Paper is designed to obtain initial views and comments to be taken into consideration in preparing a subsequent Exposure Draft for the revision of the *Conceptual Framework*.

Key areas of focus include those that have both been known to have caused application issues in practice and require updates in order to be consistent with concepts developed by the IASB in other projects it has completed and/or is currently undertaking.

At a high-level these areas of focus include: definitions of assets and liabilities; recognition and derecognition of assets and liabilities; the distinction between liabilities and equity; measurement; profit or loss and other comprehensive income (OCI); presentation and disclosure; and additional matters (including business model, unit of account, going concern, and capital maintenance).

For additional information on the Discussion Paper, refer to BDO's IFR Bulletin at:

<http://www.bdointernational.com/Services/Audit/IFRS/IFR-Bulletins-2011/IFRB%202013/IFRB-2013-18.pdf>.

The European Financial Reporting Advisory Group (EFRAG) has released its draft comment letter in relation to this discussion paper. In addition to releasing its draft comment letter, EFRAG has released a supporting presentation, that summarizes EFRAG's draft position from an overall perspective and in relation to the specific questions asked by the IASB in the discussion paper.

<http://www.bdointernational.com/News/Pages/EFRAG-releases-draft-comment-letter---IASB-Review-of-Conceptual-Framework-for-Financial-Reporting.aspx>

Further, EFRAG and the National Standard Setters of France, Germany, Italy and the United Kingdom have published two bulletins to promote discussion, and to help form European views that are influential in the debate on the IFRS Conceptual Framework. Summaries of the bulletins are available at:

[http://www.bdointernational.com/News/Pages/EFRAG-Newsletters---'Getting-a-better-framework'-\(September-Issues\).aspx](http://www.bdointernational.com/News/Pages/EFRAG-Newsletters---'Getting-a-better-framework'-(September-Issues).aspx)

Exposure Draft, *Insurance Contracts*

Issued: June 2013

Comment Deadline: October 25, 2013

Summary: The IASB published a revised exposure draft (ED) of proposals for the accounting for Insurance Contracts. The revised ED builds upon proposals published in 2010, and reflects feedback received during the public consultation period that followed the publication of those proposals. While the model presented in the 2010 ED was broadly supported, some specific issues were

raised that the IASB has sought to address. The revised proposals respond to those issues by introducing enhancements to the presentation and measurement of insurance contracts while seeking to minimize artificial accounting volatility.

The revised ED sets out in full the proposals for the accounting for insurance contracts. However, respondents are asked for comments on the key areas that the IASB has changed as a result of the responses it received to the 2010 ED.

Effective Date: The effective date of the proposal and its application will be determined after the IASB considers the feedback received on the revised ED.

For additional information on the ED, refer to BDO's IFR Bulletin at: <http://www.bdointernational.com/Services/Audit/IFRS/IFR-Bulletins-2011/IFRB%202013/IFRB-2013-19.pdf>.

OTHER ACTIVITIES

The following section provides high level summaries of other relevant IASB publications and activities, with particular focus on the recent developments and prioritization of the FASB and IASB's joint efforts to work towards convergence of U.S. GAAP and IFRS.

IASB Publishes Guide for Micro-sized Entities Applying the IFRS for SMEs (2009 Edition)

Summary: The IASB has developed illustrative guidance both to assist micro-sized entities currently applying the IFRS for SMEs and to make the IFRS for SMEs more accessible for those considering applying it in the future. The guidance is not a stand-alone standard for micro entities, nor is it part of IFRS SME's, rather it is guidance that accompanies IFRS for SME's. The guidance has been developed with input from the SME Implementation Group (an advisory body to the IASB). It extracts from the IFRS for SMEs only those requirements that are likely to be necessary for a typical micro-sized entity, without modifying any of the principles for recognizing and measuring assets, liabilities, income and expenses. In a few areas, it also contains further guidance and illustrative examples to help a micro-sized entity apply the principles in the IFRS for SMEs. The illustrative guidance is available at: <http://www.ifrs.org/IFRS-for-SMEs/Documents/A-Guide-for-Micro-sized-Entities-2013.pdf>.

Update on International Convergence

For a summary of international convergence efforts, please refer to the *FASB: Other Activities* section above.

▶ EFFECTIVE DATES OF U.S. ACCOUNTING PRONOUNCEMENTS

This appendix was prepared with a calendar year-end company in mind. Therefore standards with an effective date in 2012 have been included since many companies applied them for the first time in 2013, e.g., the first interim or annual period beginning on or after December 15, 2012. Standards that do not require adoption before 2014 are highlighted in gray.

For a practice aid on the effective dates of new IFRS pronouncements, refer to: <http://www.bdo.com/ifrs/practice.aspx>

PRONOUNCEMENT	EFFECTIVE DATE
ASC 205, Presentation of Financial Statements	
ASU 2013-07, <i>Liquidation Basis of Accounting</i>	Effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013. Early adoption is permitted.
ASC 210, Balance Sheet	
ASU 2013-01, <i>Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities</i>	The amendments are effective for fiscal years beginning on or after 1/1/2013 and interim periods within those years. Retrospective application is required.
ASU 2011-11, <i>Disclosures about Offsetting Assets and Liabilities</i>	An entity is required to apply the amendments for annual reporting periods beginning on or after 1/1/2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented.
ASC 220, Comprehensive Income	
ASU 2013-02, <i>Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income</i>	For public entities, the amendments are effective prospectively for reporting periods beginning after 12/15/2012. For nonpublic entities, the amendments are effective prospectively for reporting periods beginning after 12/15/2013. Early adoption is permitted.
ASC 230, Statement of Cash Flows	
ASU 2012-05, <i>Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force)</i>	Effective prospectively for fiscal years, and interim periods within those years, beginning after 6/15/2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. Early adoption from the beginning of the fiscal year of adoption is permitted. For fiscal years beginning before 10/22/2012, early adoption is permitted only if an NFP's financial statements for those fiscal years and interim periods within those years have not yet been made available for issuance.

PRONOUNCEMENT	EFFECTIVE DATE
ASC 350, Intangibles—Goodwill and Other	
<p>ASU 2012-02, <i>Testing Indefinite-Lived Intangible Assets for Impairment</i></p>	<p>Effective for annual and interim impairment tests performed for fiscal years beginning after 12/15/2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before 7/27/2012, if an entity’s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance.</p>
ASC 360, Property, Plant, and Equipment	
<p>ASU 2011-10, <i>Derecognition of in Substance Real Estate—a Scope Clarification (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>The amendments in this Update should be applied on a prospective basis to deconsolidation events occurring after the effective date. Prior periods should not be adjusted even if the reporting entity has continuing involvement with previously derecognized in substance real estate entities.</p> <p>For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after 6/15/2012. For nonpublic entities, the amendments are effective for fiscal years ending after 12/15/2013, and interim and annual periods thereafter. Early adoption is permitted.</p>
ASC 405, Liabilities	
<p>ASU 2013-04, <i>Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>Retrospective application is required for all periods presented. Entities are permitted to use hindsight when determining the appropriate amount to be recorded in prior periods.</p> <p>For public entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after 12/31/2013. For nonpublic entities, the guidance is effective for fiscal years ending after 12/31/2014 and interim and annual periods thereafter. Early adoption is permitted.</p>
ASC 720, Other Expenses	
<p>ASU 2011-06, <i>Fees Paid to the Federal Government by Health Insurers (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>Effective for calendar years beginning after 12/31/2013, when the fee initially becomes effective.</p>
ASC 740, Income Taxes	
<p>ASU 2013-11, <i>Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>The amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years and interim periods within those years, beginning after December 15, 2014. Early adoption is permitted.</p>

PRONOUNCEMENT	EFFECTIVE DATE
ASC 805, Business Combinations	
<p>ASU 2012-06, <i>Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>For public and nonpublic entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after 12/15/2012. Early adoption is permitted. The amendments should be applied prospectively to any new indemnification assets acquired after the date of adoption and to indemnification assets existing as of the date of adoption arising from a government-assisted acquisition of a financial institution.</p>
ASC 815, Derivatives and Hedging	
<p>ASU 2013-10, <i>Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>The amendments in this Update are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013.</p>
ASC 820, Fair Value Measurement	
<p>ASU 2013-09, <i>Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04</i></p>	<p>The deferral in this amendment is effective upon issuance for financial statements that have not been issued.</p>
ASC 825, Financial Instruments	
<p>ASU 2013-03, <i>Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities</i></p>	<p>The Update was effective upon issuance in February 2013. Consequently, it amends ASU 2011-04 immediately, which is effective for nonpublic entities for periods beginning after 12/15/2011 (i.e., 2012 calendar year-ends).</p>
ASC 830, Foreign Currency Matters	
<p>ASU 2013-05, <i>Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>The amendments in this Update are effective prospectively for all entities with derecognition events after the effective date. For public entities, the guidance is effective for fiscal years, and interim periods within those years, beginning after 12/31/2013. For nonpublic entities, the guidance is effective for fiscal years beginning after 12/31/2014 and interim and annual periods thereafter. Early adoption is permitted. If early adoption is elected, the guidance should be applied as of the beginning of the entity's fiscal year of adoption.</p>

PRONOUNCEMENT	EFFECTIVE DATE
ASC 926, Entertainment—Films	
<p>ASU 2012-07, <i>Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs (a consensus of the FASB Emerging Issues Task Force)</i></p>	<p>For SEC filers, the amendments are effective for impairment assessments performed on or after 12/15/2012. For all other entities, the amendments are effective for impairment assessments performed on or after 12/15/2013. The amendments resulting from this Issue should be applied prospectively. In addition, earlier application is permitted, including for impairment assessments performed as of a date before 10/24/2012, if, for SEC filers, the entity’s financial statements for the most recent annual or interim period have not yet been issued or, for all other entities, have not yet been made available for issuance.</p>
ASC 946, Financial Services - Investment Companies	
<p>ASU 2013-08, <i>Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements</i></p>	<p>Effective for an entity’s interim and annual reporting periods in fiscal years that begin after 12/15/2013. Earlier application is prohibited.</p>
ASC 954, Health Care Entities	
<p>ASU 2012-01, <i>Continuing Care Retirement Communities - Refundable Advance Fees</i></p>	<p>Effective for public entities for fiscal years beginning after 12/15/2012. For nonpublic entities, the Issue will be effective for fiscal years ending after 12/15/2013. Early adoption is permitted. Entities must apply the requirements retrospectively by recording a cumulative-effect adjustment to opening retained earnings (or unrestricted assets) as of the beginning of the earliest period presented.</p>
ASC 958, Not-for-Profit Entities	
<p>ASU 2013-06, <i>Services Received from Personnel of an Affiliate</i></p>	<p>Effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets of the earliest period presented. Early adoption is permitted.</p>
Other	
<p>ASU 2012-04, <i>Technical Corrections and Improvements</i></p>	<p>The amendments in this Update that do not have transition guidance are effective upon issuance for both public entities and nonpublic entities. For public entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after 12/15/2012. For nonpublic entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after 12/15/2013.</p>

▶ BDO RESOURCES FOR CLIENTS AND CONTACTS

The following is a sample of recent BDO thought leadership materials that may be of interest. For additional publications and resources, please refer to: <http://www.bdo.com/publications/assurance/>

BDO AC'SENSESM UPCOMING WEBINAR EVENTS AND ARCHIVES

Please check <http://www.bdo.com/acsense/> for current and upcoming programs. Archives

- **COMING SOON!** Ac'sense Board Matters Q3 Update - New COSO Framework - September 26, 2013
<http://www.bdo.com/acsense/events/BoardMattersQ32013.aspx>
- **COMING SOON!** Ac'sense Q3 Technical Update - October 1, 2 or 3, 2013
<http://www.bdo.com/acsense/events/technicalupdateq32013.aspx>
- **NEW!** Reproposed Leasing Standard Update - July 9, 2013
<http://www.bdo.com/acsense/events/LeaseStd.aspx>
- Ac'sense Q2 Technical Update - June 2013
<http://www.bdo.com/acsense/events/technicalupdateq22013.aspx>
- Board Matters Quarterly Update - Q2 2013 - Executive Succession Strategy - Leadership Capabilities - June 2013
<http://www.bdo.com/acsense/events/BoardMattersQ22013.aspx>
- Limiting Exposure in Regulatory Investigations - June 6, 2013
<http://www.bdo.com/acsense/events/boardmattersQ42012.aspx>

Additional archived programming is available at: <http://www.bdo.com/acsense/archive.aspx>

BDO BOARD REFLECTIONS

<http://www.bdo.com/library/boardreflections.aspx>

BDO continues to refine its Board Reflections resource center designed with public and private company boards of directors in mind. Understanding the roles, responsibilities and risks associated with each committee, BDO routinely provides guidance to directors as they navigate through ever changing challenges in today's corporate climate. BDO's proprietary studies, publications, practice aids and educational programs help fuel conversations among those charged with corporate governance - who are making the tough decisions. Within this site, BDO has included resources across our various disciplines to help keep board members ahead of the trends while meeting compliance obligations. BDO has added a quarterly Board Matters Update webcast, intended as a discussion of developing issues of broad interest to board members and those charged with governance.

BDO CLIENT ADVISORIES

<http://www.bdo.com/publications/assurance/>

- **NEW!** 2013 BDO IPO Halftime Report (July 2013)
- BDO Board Reflections (April 2013) - Provides a summary of Fraud in Foreign Markets, Cyber Attacks, M&A Plans and the Sequester Among Top issues at 2013 Shareholder Meetings
- Initial Offerings Newsletter (Spring 2013)
- BDO Board Reflections (February 2013) - Provides a summary currently effective PCAOB Auditing Standard No. 16 (AS 16), *Communications with Audit Committees*, and highlights changes to practice companies should be aware of.
- 2013 BDO IPO Outlook (January 2013)

BDO FINANCIAL REPORTING LETTERS & FLASH REPORTS

<http://www.bdo.com/publications/assurance/>

- **UPDATED!** BDO Flash Reports - Flash reports are intended to highlight certain financial reporting developments in a timely and brief "flash" format. (Various)
- Manufacturing the Future (Summer 2013)
- 2013 BDO Manufacturing RiskFactor Report (May 2013)
- BDO Knows Government Contracting (Spring 2013)
- BDO Knows Healthcare (Spring 2013)
- Report on 2012 AICPA SEC and PCAOB Conference (January 2013)
- SEC Year in Review - Significant 2012 Developments (January 2013)
- Accounting Year in Review - 2012 (January 2013)
- BDO Knows: The Jumpstart Our Business Startups Act (April 2012)
- BDO Knows: Multiemployer Pension Plans (January 2012)
- BDO Knows: Goodwill Impairment (September 2011)
- BDO Knows: Comprehensive Income Newsletter (August 2011)
- BDO Knows: Contingent Consideration (June 2011)