



Deloitte & Touche LLP
Ten Westport Road
P.O. Box 820
Wilton, CT 06897-0820
USA

www.deloitte.com

December 8, 2008

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 12

File Reference: 1640-100
Re: Proposed FASB Statement, *Subsequent Events*

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Statement, *Subsequent Events* (the "proposed Statement").

We support the issuance of this proposed Statement as a final Statement with the revisions suggested below. We believe that accounting standards should clearly articulate that management is responsible for determining the accounting for and disclosure of transactions and events occurring after the balance sheet date that affect an entity's financial statements. Management's responsibility is currently inferred from the auditing literature (*AICPA Professional Standards*, AU Section 560, *Subsequent Events*) referenced in the proposed Statement. In addition, this proposal moves current U.S. GAAP closer to International Financial Reporting Standards, and we support global convergence of high-quality accounting standards and uphold the efforts of the Board to work closely with the International Accounting Standards Board (IASB) and national standard setters to develop high-quality global standards.

Our concerns relate to the concept of "available to be issued" (which is not consistent with corresponding language in IAS 10, *Events After the Reporting Period*) and the disclosure requirements in the proposed Statement (discussed below). We believe these need to be addressed for the final Statement to be applied consistently. In addition, the Appendix presents our editorial suggestions regarding the proposed Statement.

Available to Be Issued

We acknowledge the Board's efforts to relieve management of its obligation to evaluate subsequent events for recognition or disclosure in the financial statements for an extended period after the balance sheet date. This would be particularly beneficial to nonpublic companies that do not distribute their financial statements to others when they are completed. However, (1) we do not believe the Board should introduce a new concept (i.e., "available to be issued") to accomplish this goal and (2) we believe that the number of restatements that may occur as a result of the proposed statement may increase.

In paragraph A9 of the Basis for Conclusions of the proposed Statement, the Board considered and rejected the concept of “authorized for issuance” as described in IAS 10. The Board reasoned that “the authorization of financial statements is common in many non-U.S. corporate governance structures,” whereas most U.S. entities are unlikely to have an authorization process and, therefore, U.S. entities would have to develop a process to comply with the proposed Statement if the Board introduced the concept of “authorized for issuance.” We do not share the Board’s concern. While we acknowledge that the authorization of financial statements is more formal and frequent outside the United States than it is domestically, we believe U.S. entities should have sufficient competent evidence of authorization by those charged with governance of the entity for issuance of the financial statements. This process should include the entity having contemporaneous documentation of the authorization of the financial statements, particularly if an entity has not distributed the financial statements to other parties. We believe that it is important that third parties (e.g., independent auditors) have sufficient objective evidence of whether and when the financial statements were prepared and appropriately authorized for issuance. Furthermore, a requirement for entities to have contemporaneous documentation of the authorization by those charged with governance would have the added benefit of aligning the terminology in the proposed Statement with IAS 10 (i.e., “authorized for issuance”). We believe that issuing accounting standards that use the same words when describing the same accounting principles or guidance will more effectively minimize the risk that accounting standards will be applied differently by different preparers of financial statements. Therefore, we encourage the Board to revise (1) the terminology in the proposed Statement from “available to be issued” to “authorized for issuance” and (2) the definition in paragraph 6 of the proposed Statement to incorporate a formal authorization process for those charged with governance of the entity. In addition, preparers of financial statements would benefit if the Board included implementation guidance on application of the authorized-for-issuance terminology, akin to the examples in paragraphs 5 and 6 of IAS 10.

Lastly, paragraph 15 of the proposed Statement addresses the recognition and disclosure requirements of events or transactions that may occur between the original issuance date of the financial statements and their subsequent reissuance. Although the proposed Statement requires management to disclose such events or transactions in the reissued financial statements, it does not require adjustments to the originally issued financial statements unless mandated by other GAAP or regulatory requirements, or unless the adjustment corrects an error. In this context, we question whether the term “original issuance” is intended to capture (1) financial statements that have been issued or are “available to be issued” or (2) only financial statements that have been issued. If the concept “available to be issued” (or “authorized for issuance”) is to be added, we believe the Board should clarify whether the provisions of paragraph 15 are intended to apply to events or transactions that may occur between the date financial statements are available to be issued (or “authorized for issuance”) and the date they are subsequently issued.

Disclosure Requirements

We agree with the Board’s decision to require entities to disclose the date through which subsequent events are evaluated. However, we note that the proposed Statement does not provide guidance on whether management is required to disclose multiple dates through which subsequent events are evaluated when financial statements are reissued as described in paragraph 15 of the proposed Statement. We believe that the Board should clarify whether management is required to disclose multiple dates through which subsequent events are evaluated to indicate that the subsequent events evaluation was extended to the date of reissuance if (1) an adjustment is made to the reissued financial statements or (2) no adjustment is made to the reissued financial statements. In clarifying the

disclosure requirement, the Board should be mindful of whether entities that file reports with the SEC or other regulatory agencies are required to amend previously issued financial statements if those financial statements are (1) reissued and (2) the entity is required to disclose multiple dates through which subsequent events were evaluated.

We also recommend that the Board clarify whether management is required to disclose the date through which subsequent events are evaluated for each period presented. That is, in comparative financial statements whether management should disclose the date through which subsequent event procedures were evaluated for each balance sheet presented.

Other Comments

Accounting Standards Codification

We believe that the amendments to paragraph 855-10-25-5 in Appendix B in the proposed Statement should be included as part of the glossary definition of "Subsequent Events" rather than as a separate paragraph under the recognition section. We are particularly concerned with the paragraph's placement under the heading "Nonrecognized Subsequent Events," which suggests that the paragraph is only applicable to nonrecognized subsequent events. We note that if the Board changes the placement of paragraph 855-10-25-5, there are a number of planned references to that paragraph in the Accounting Standards Codification that will need to be revised.

Definition of Subsequent Events

Paragraph 4 of the proposed Statement defines subsequent events as "events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued." We are concerned that the definition could be interpreted as requiring management to determine the date on which the financial statements were available to be issued even when entities distribute their financial statements to others. We do not believe that was the Board's intent. Therefore, we recommend that the Board clarify the definition of subsequent events to require the use of the date the financial statements are issued by entities that distribute their financial statements to others. Entities that do not distribute their financial statements to others should perform subsequent event procedures until the date the financial statements are available to be issued (or "authorized for issuance").

Definition of "Financial Statements Are Issued"

The definition in Paragraph 5 of the proposed Statement of when "financial statements are issued" is "when they are **widely** distributed to shareholders and other financial statement users" (emphasis added). We are concerned that an entity's distribution of its financial statements to only one outside party (e.g., a lender) would not satisfy the definition's "widely distributed" requirement. Also, we believe that an entity's distribution of its financial statements to a single shareholder (or other related party) should not qualify if the definition were revised to exclude the term "widely" (i.e., that financial statements are issued "when they are distributed to shareholders or other financial statement users"), because financial statements issued only to related parties should be issued widely. Therefore, we encourage the Board to revise the definition of "financial statements are issued" to include (1) broad distribution of the financial statements if the entity is distributing them only to shareholders or other related parties and (2) distribution of the financial statements (whether to one party or multiple parties) if the entity is distributing the financial statements to external unrelated parties.

Reissuance of Financial Statement

We are concerned that paragraph 15 of the proposed Statement may represent a change in practice regarding the reissuance of financial statements. We believe that an issuance of an entity's financial statements under non-U.S. GAAP is currently considered by some to be an original issuance, and that therefore a subsequent issuance of the entity's financial statements under U.S. GAAP would be considered a reissuance of them. If the Board's intent was to clarify that an entity's financial statements only should be considered originally issued or available to be issued (or "authorized for issuance") when prepared in conformity with U.S. GAAP, we believe that should be made clear in the proposed Statement.

Effective Date

We are also concerned about the effective date in the proposed Statement. As we previously indicated, management's responsibility for determining the accounting for and disclosure of transactions and events that occur after the balance sheet date that affect an entity's financial statements is currently inferred from the auditing literature. If the proposal is issued as a final Statement in its current form, the requirements in the accounting and the auditing literature will differ. Therefore, we would encourage the Board to work with the AICPA and the PCAOB to ensure that the accounting and the auditing literature are aligned. Also, we would encourage the Board to consider an effective date that is consistent with the effective date of auditing standards that would amend the existing requirements in the auditing literature.

Deloitte & Touche LLP appreciates the opportunity to comment on the proposed Statement. If you have any questions concerning our comments, please contact John Sarno at (203) 761-3433 or Thalia Smith at (203) 423-4554.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

APPENDIX
Deloitte & Touche LLP Comments

Suggested editorial changes to the proposed Statement are highlighted below (added text is underlined and deleted text is ~~struck out~~).

Paragraph 15 of the proposed Statement should be revised as follows:

An entity may occasionally need to reissue financial statements, for example, in reports filed with the SEC or other regulatory agencies, in offering documents.

In Appendix B of the proposed Statement, paragraph 855-10-50-1 refers to paragraph 855-10-20-3. However, there is no paragraph 855-10-20-3 in the amended Accounting Standards Codification. We believe the Board's intent was to cross-reference refer to the definition of the phrase "financial statements are available to be issued." If our understanding is correct, the Board should either (1) add a cross-reference to paragraph 855-10-20 of the amended Accounting Standards Codification or (2) remove the cross-reference from paragraph 855-10-50-1. We suggest the following clarifying language:

- **50-1** An entity shall disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued, as discussed in paragraph 855-10-20-3.