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January 28, 2010

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

File Reference: 1760-100

Re: Proposed Accounting Standards Update, *Subsequent Events (Topic 855) — Amendments to Certain Recognition and Disclosure Requirements*

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update, *Subsequent Events (Topic 855) — Amendments to Certain Recognition and Disclosure Requirements* (the "proposed ASU"). We support the issuance of this proposed ASU as a final ASU provided that the Board take into account our suggested revisions below.

We applaud the Board's efforts to resolve practice issues associated with the disclosure of the date through which subsequent-events procedures have been performed by proposing to remove that requirement for entities that file or furnish financial statements with the SEC. However, we are concerned that there are and will continue to be practice issues for entities that (1) do not file or furnish their financial statements with the SEC but widely distribute their financial statements to users and (2) are still required to disclose the date through which subsequent events have been evaluated in their financial statements.

Date Disclosure Requirement

We believe that in proposing amendments to ASC 855-10¹-50-1 and 50-4, the Board should remain focused on the primary objective of including the subsequent-events guidance in U.S. GAAP. That is, we believe the Board's original intent in issuing Statement 165² was to clearly articulate that management is responsible for identifying and evaluating transactions and events occurring after the balance sheet date that affect or that may affect an entity's financial statements and for determining the appropriate accounting for and disclosure of such transactions and events. Further, we believe that the Board's intent was to clearly establish the expectation that management should perform its subsequent-event procedures through the date on which the financial statements are issued **or** are available to be issued, depending on an entity's expected distribution of its financial statements. We believe that by placing primary emphasis on this objective and ensuring that it is clearly articulated in ASC 855, the Board does not need to require entities to always disclose the date through which these procedures have been performed. In fact, as highlighted by the various practice issues raised, the date disclosure requirement and related practice issues have overshadowed the main objective of, and the substantive requirements under,

¹ FASB Accounting Standards Codification Subtopic 855, *Subsequent Events: Overall*.

² FASB Statement No. 165, *Subsequent Events*.

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ASC 855 (i.e., that management evaluate subsequent events through the date on which the financial statements are issued or are available to be issued).

As an example of a practice issue, various SEC rules (e.g., Regulation S-X, Rules 3-05, 3-09, 3-10, 3-14, and 3-16) require a registrant to include in its SEC filings separate financial statements for material businesses or real estate operations acquired, material equity method investments, and material guarantor or pledgor arrangements. These entities can be public or nonpublic entities. It is unclear whether the proposed amendments to ASC 855, as currently written, would exempt all of these entities from the requirement to disclose the date through which subsequent events have been evaluated in their financial statements (1) upon original issuance, (2) only when included in filings with the SEC, or (3) both. In addition, as exposed, the proposed ASU may raise questions about whether management of these entities, management of the entities filing with the SEC, or both, should evaluate subsequent-events procedures through the date of original issuance of their financial statements or through the date on which their financial statements are included in an SEC filing. Another example is an entity that raises capital via a private placement. If that entity subsequently registers those securities with the SEC, is the entity exempt from including the date through which subsequent events procedures were performed in the original private offering document, in the subsequent SEC filing, or in both? And is management required to evaluate subsequent-events procedures through the date of the original offering document or the subsequent SEC filing?

As a result of these practice issues, we recommend that the Board consider removing the requirement to disclose the date through which subsequent-events procedures have been performed for entities for which the date on which the financial statements were issued or were available to be issued is clear (e.g., the date on which the financial statements were filed with the SEC or some other regulatory body is readily and obviously apparent). If the date on which the financial statements were issued or were available to be issued is not readily and obviously apparent either in (1) the financial statements themselves or (2) documents containing the financial statements, the entity should disclose the date through which subsequent events have been performed (i.e., the date the financial statements were issued or available to be issued). In addition, to emphasize the objective of the subsequent-events guidance, the Board could require all entities to disclose, as an accounting policy, their responsibility for evaluating subsequent events through the date on which the financial statements are issued or are available to be issued. We recommend that if the Board retains the requirement for entities to disclose the date through which subsequent events have been evaluated, it should provide examples that are consistent with the objective of ASC 855 (i.e., for management to evaluate subsequent events through the date on which financial statements are issued or are available to be issued) and that clearly illustrate the application of that subsequent-events guidance.

Restated Financial Statements

We note the Board's decision, discussed in paragraph BC3 of the proposed ASU, to replace the term "reissuance" with the term "restatement" because reissuance was not defined in U.S. GAAP or SEC literature. While we agree with the Board's decision to more explicitly define the situations in which an entity would be required to update its subsequent-events procedures after (1) the original issuance of its financial statements or (2) the date on which its financial statements are available to be issued, we believe that the proposed amendment, as written,

conflicts with the current definition of the term “restatement” in ASC 250. In ASC 250,³ the term “restatement” is **only** used in connection with revisions of previously issued financial statements for correction of an error. However, the proposed amendment in ASC 855-10-50-4 suggests that “restated financial statements” entail both previously issued financial statements revised for the correction of an error and those revised for retrospective application of U.S. GAAP. While restatement and restated financial statements represent different terms, we believe that a reasonable user of financial statements will take them to imply the same thing (i.e., the revision of previously issued financial statements for correction of an error). Accordingly, we believe that the Board should (1) retain the terminology in the existing ASC 855 to refer to reissuance or reissued financial statements and (2) explicitly define the term “reissuance” or “reissued financial statements.” We believe this will avoid any confusion with the term “restatement,” as that term has already been defined and is understood in U.S. GAAP.

The Board should consider clarifying in ASC 855-10-25-4 that management should update its subsequent-events evaluation through the date of reissuance. We believe this requirement is consistent with the overall objective of ASC 855. In addition, if the Board retains the requirement in ASC 855-10-50-1 for some entities to disclose, in their originally issued or available to be issued financial statements, the date through which subsequent events have been evaluated, the Board should clarify in ASC 855-10-50-4 that the same entities would also be required to disclose the updated date through which subsequent events have been evaluated in their reissued financial statements.

Furthermore, while we support the Board’s intent to define the circumstances in which management should update its subsequent-events evaluation, we believe that if the objective is to require management to (1) evaluate subsequent-events procedures through the date on which financial statements are originally issued or available to be issued and (2) only update its evaluation for the correction of error or the retrospective application of U.S. GAAP in reissued financial statements, there may be other instances in which an update would not, but should, be required (e.g., when an entity raises capital via a private placement, then subsequently registers those securities with the SEC). As currently written, ASC 855-10-50-4 would only require an entity to update its originally issued financial statements to correct an error or to retrospectively apply U.S. GAAP. However, we believe that when an entity includes its financial statements in an offering document and then subsequently includes them in a registration statement with the SEC, management should update its subsequent-events evaluation to be consistent with the overall objective of ASC 855.

SEC Literature

We note the Board’s proposal in paragraph BC2 of the proposed ASU to exempt entities that file or furnish their financial statements with the SEC from the requirement to disclose the date through which subsequent-events procedures have been performed, since the SEC already requires an assessment of subsequent events. However, it is unclear to us whether the SEC’s rules and regulations also dictate when financial statements for entities that file or furnish them with the SEC are considered reissued and the extent to which reissued financial statements for these entities should be updated for management’s subsequent-events evaluation.

³ FASB Accounting Standards Codification Topic 250, *Accounting Changes and Error Corrections*.

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For example, we understand that registrant preparers have relied on the SEC's continuous-disclosure regime when evaluating whether a significant event occurring after the original issuance of a Form 10-K needs to be disclosed in a reissuance. Before ASC 855, a registrant may have concluded that, because of the disclosures already made in subsequent Form 8-K filings, Form 10-Q filings, or both, the registrant would not be required to update a reissued Form 10-K for material subsequent events. It is unclear whether the Board intends to alter that historical thought process and practice and, if so, whether such updating of disclosures is intended to occur only in the event of restatements and retrospective application of U.S. GAAP, as itemized in ASC 855-10-50-4.

In addition, we note that the proposed ASU does not outline in greater detail the SEC requirements referred to in BC2 and does not refer to the specific SEC rules or regulations. Accordingly, we suggest that if the Board retains its position to exempt only entities that file or furnish financial statements with the SEC from disclosing the date through which subsequent events have been evaluated, the Basis for Conclusions in the final ASU should include specific references to the applicable SEC rules or regulations. Furthermore, we do not believe that any current SEC guidance directly addresses the questions about updating subsequent-events disclosures in reissued financial statements (such as in the example above). Therefore, we believe it is all the more important for the Board to address these matters explicitly and in detail in the final ASU.

Effective Date and Transition

We note that the proposed ASU does not provide transition guidance, particularly for entities that have previously applied the disclosure requirements of ASC 855 in interim or annual financial statements before the effective date of the final ASU. We believe that the Board should provide transition guidance, particularly for those entities that previously disclosed the date through which subsequent events have been evaluated and are no longer required to do so in "restated financial statements" that might be issued after the effective date of the final ASU.

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

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

APPENDIX
Deloitte & Touche LLP Comments

Editorial Changes

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

We propose that the Board revise the second sentence of ASC 855-10-25-2 as follows:

If the entity has a current expectation of widely distributing its financial statements to its ~~shareholders and~~ stakeholders or other financial statement users, then the entity shall evaluate subsequent events through the date that the financial statements are issued.

In addition, we propose that the definition of “financial statements are issued” in ASC 855-10-20 be amended as follows:

Financial statements are considered issued when they are widely distributed to ~~shareholders and~~ stakeholders or other financial statement users for general use and reliance in a form and format that complies with GAAP. (U.S. Securities and Exchange Commission [SEC] registrants also are required to consider the guidance in paragraph 855-10-S99-2.)

We believe that the Board intends this guidance to apply to all entities. However, we believe that some may interpret this paragraph as only applying to investor-owned entities (e.g., as not applying to not-for-profit entities). We believe that the above changes would help ensure that this guidance is applied to all entities.