

**Filing as a “Smaller Reporting Company”**: As was stated in our February 2008 issue of *Briefs for Smaller Reporting Companies*, a small business issuer may continue to file Form 10-QSB for quarters through its first fiscal year ending after December 15, 2007 (i.e. the SB option went away beginning with the March 31, 2008 quarterly report for calendar year-end entities!) A small business issuer has the option of filing its annual report for that fiscal year on either Form 10-KSB, using the disclosure requirements of Regulation S-B, or Form 10-K, using the new scaled disclosure. One conspicuous change per Rule 8-02 and 8-03 of Regulation S-X: filing as a smaller reporting company means that the issuer will need to present the most recent audited balance sheet in addition to the current period, regardless of whether the current period is an unaudited quarter or an audited year-end.

**Background**: As of February 4, small businesses issuers may begin “à la carte” scaled disclosure reporting using SEC Form 10-K and SEC Form 10-Q. The *SEC Accounting and Reporting Manual's* new Section 9.05.15, “Smaller Reporting Companies,” provides a full definition and discussion of this recently created category by the SEC, and has fully updated all related filing checklists and discussions of Regulations S-K (17 CFR 229.10 et seq.) and S-B (17 CFR 228.10 et seq.) to reflect these changes and accommodate any filers transitioning to the new category.

The SEC did not eliminate the reduced disclosure requirements for small businesses. Rather, the SEC made this system of “scaled” disclosures available to a broader range of companies. As a major part of this change, Regulation S-B will be eliminated when SEC Form 10-KSB and SEC Form 10-QSB may no longer be used.

**Fair value implications** are a theme in many recent and upcoming technical pronouncements, and financial officers and audit committees of reporting companies need to be aware of the implications of SFAS 157, SFAS 159 and SFAS 141R, in addition to the numerous other releases which focus on the accounting and disclosure of financial statement elements and transactions using fair value methodology. The implications are sweeping. This trend is also representative of the convergence of US GAAP with IFRS.

**As for IFRS**, says Christopher Cox, Chairman of the Securities and Exchange Commission, in an April 18, 2008 speech, “The rapidly increasing interest in [the International Financial Reporting Standards] in the U.S., and the rapidly increasing acceptance of IFRS in the rest of the world, reflect a growing consensus that these standards will deliver the high quality, consistency, and global comparability that so many have advocated for so long.” He also said the agency's staff was working on a schedule to spell out the pace of IFRS-related rule making for U.S. issuers.

In other words, the issue is upon us but formal convergence is several years away, in our estimation. However, as noted in the fair value discussion above, as an example, convergence of differing elements of the governing literature is already well under way.

**LBB & Associates Ltd., LLP is a public accounting firm with a concentration in audits of smaller reporting companies. Feel free to direct any inquiries to [Briefs@lbbcpa.com](mailto:Briefs@lbbcpa.com), [www.lbbcpa.com](http://www.lbbcpa.com), or contact any of our partners at 713-877-9944.**