

# L·B·B BRIEFS

## FOR SMALLER REPORTING COMPANIES

**SEC reports on trends for smaller public companies.** In December 2009, at the Forum on Auditing in the Small Business Environment hosted by the PCAOB, the staff of the SEC's Division of Corporate Finance presented a summary of common reporting and compliance issues it often encounters when reviewing filings of smaller public companies. The presentation served as a reminder of a variety of common reporting and SEC compliance matters, such as:

- The impact of the financial crisis on financial statements;
- Best practices to consider when preparing M, D & A;
- Financial Reporting Requirements of an acquired business;
- Complex Equity structures and accounting for embedded features; and
- Internal Control over Financial Reporting.

In addition to highlighting common issues, the SEC staff provided detailed discussion notes along with the presentation, which provides valuable insight into how SEC staff interpret the related rules and regulations. Although the presentation was based on results from the SEC's review of smaller public companies, many of the topics highlighted are also applicable to large companies and those companies considering an IPO or merger. For more information on the SEC's presentation, refer to: <http://www.sec.gov/news/speech/2009/slides1209wc.pdf>.

**IFRS developments.** In February, IFRS made the business headlines when the SEC published a statement of the SEC's continuing support for a single set of high-quality global standards. In the statement, the SEC acknowledged that IFRS is best positioned to serve as the global standard. The statement also contained details of a "work plan" to analyze whether and how IFRS can be incorporated into the U.S. financial reporting system.

The SEC staff will execute the work plan and provide regular updates to the public on their progress beginning in October 2010. In 2011, upon completion of the FASB and IASB convergence agenda and the analysis of the results of the work plan, the SEC expects to be in a position to decide whether, when, and how to further incorporate IFRS into the financial reporting system for U.S. issuers. Should it decide to move forward, the SEC intends to allow adequate time for an orderly and high-quality changeover. Required conversions would not begin until 2015 or 2016 at the earliest.

**Subsequent events clarification.** In the second quarter of 2009, the FASB issued new guidance that had the practical effect of incorporating the subsequent event guidance from the auditing literature into the accounting literature, with some terminology changes. The final guidance issued by the FASB in June 2009, however, included a requirement to disclose the date through which subsequent events were evaluated. This disclosure created potential conflicts for many SEC registrants. As a result, in February 2010, the FASB amended its guidance on subsequent events. Some key points to note are: (i) SEC filers are not required to disclose the date through which an entity has evaluated subsequent events, and (ii) all other entities will continue to be required to evaluate subsequent events through the date the financial statements are available to be issued and disclose that date.

The amended guidance was effective upon issuance for all entities except conduit bond obligors. Conduit bond obligors will be required to apply the new guidance in fiscal periods ending after June 15, 2010.

**LBB & Associates Ltd., LLP** is an AICPA, PCAOB, and CPAB registered public accounting firm with a concentration in audits of smaller reporting companies. LBB is also active in SEC reporting consulting and acquisition due diligence efforts with smaller reporting companies. Past issues of our newsletter can be found at [www.lbbcpa.com](http://www.lbbcpa.com). Feel free to direct any inquiries to [Briefs@lbbcpa.com](mailto:Briefs@lbbcpa.com), or contact any of our partners at 713-877-9944.