



G A O

Accountability * Integrity * Reliability

Memorandum

Date: February 29, 2012

To: GAO's Financial Management and Assurance Team (FMA)
Council of Inspectors General on Integrity and Efficiency (CIGIE) Financial
Audit Community

From: James R. Dalkin, Director – FMA
Kristen Kociolek, Assistant Director – FMA
Tom Hackney, Senior Auditor – FMA

Subject: Professional Standards Update (PSU) No. 57*
October through December 2011

In order to alert you to changes in professional standards, we issue Professional Standards Updates. The purpose of these updates is to highlight the issuance and some key points of recent standards. Professional Standards Updates do not contain a complete summary of the standards. Those affected by the new standards should refer to the relevant standard for details. Thanks to Theresa Phipps for her contributions to this issue which contains summaries of:

Auditing and Attestation Standards and Guidance

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

- 2011 Revision of Government Auditing Standards
- 2011 Government Auditing Standards ~ Summary of Major Changes

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA) and the AICPA AUDITING STANDARDS BOARD (ASB)

- Clarity Project: *Update & Final Products*
- Clarified Statements on Auditing Standards (SAS) Nos. 122–125:
 - SAS No. 122, *Clarification and Recodification*
 - SAS No. 123, *Omnibus Statement on Auditing Standards - 2011*
 - SAS No. 124, *Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country*
 - SAS No. 125, *Alert That Restricts the Use of the Auditor's Written Communication*
- ASB Clarity Project – *Extant AU sections mapped to Clarity SASs*
- Clarity Project - *Archive Information*
- Audit Guide: *State and Local Governments*
- Audit Risk Alert: *Understanding the New Auditing Standards Related to Risk Assessment*
- Audit Risk Alert: *Independence and Ethics Developments - 2011/2012*
- Interpretation No. 11, "Required Supplementary Information That Accompanies Reviewed Financial Statements," of AR Section 90, *Review of Financial Statements*
- Interpretation No. 17, "Required Supplementary Information That Accompanies Compiled Financial Statements," of AR Section 80, *Compilation of Financial Statements*

INSTITUTE OF INTERNAL AUDITORS (IIA)

- Practice Guide: *Independence and Objectivity*

* Previously issued Professional Standards Updates can be found at <http://www.gao.gov/govaud/psu.htm>

- Practice Guide: *Reliance by Internal Audit on Other Assurance Providers*
- Supplemental Guidance: *Public Sector Definition*

Regulatory Requirements

OFFICE OF MANAGEMENT AND BUDGET (OMB)

- OMB Circular No. A-136 Financial Reporting Requirements (*Revised*)
- OMB Memo M-12-01— *Creation of the Council on Financial Assistance Reform*
- OMB Memo M-12-02 — *Suspension and Debarment of Federal Contractors and Grantees*

Accounting Standards and Guidance

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB)

- FASAB Technical Bulletin 2011-2, *Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs*
- Federal Financial Accounting Technical Release 14, *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment*

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

- Accounting Standards Update No. 2011-12 Comprehensive Income (Topic 220): *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*
- Accounting Standards Update No. 2011-11 Balance Sheet (Topic 210): *Disclosures about Offsetting Assets and Liabilities*
- Accounting Standards Update No. 2011-10 Property, Plant, and Equipment (Topic 360): *Derecognition of in Substance Real Estate — a Scope Clarification*

Auditing and Attestation Standards and Guidance

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

www.gao.gov

2011 Revision of Government Auditing Standards

GAO has formally issued the 2011 Revision of Government Auditing Standards that is effective for financial audit and attestation engagements for periods ending on or after December 15, 2012, and for performance audits starting on or after December 15, 2011. An electronic version of the 2011 Revision of GAGAS and related interpretive publications can be accessed at the GAO's Government Auditing Standards (Yellow Book) website: <http://www.gao.gov/yellowbook>

2011 Government Auditing Standards ~ Summary of Major Changes

GAO's Audit Standards team has prepared a Summary of Major Changes to accompany the 2011 Revision of Government Auditing Standards. The major changes described in the document include: 1) the conceptual framework for independence was added to provide a means for auditors to assess auditor independence relative to activities that are not expressly prohibited, 2) the requirements for auditors performing nonaudit services at entities they audit, including a requirement that auditors assess whether management possesses suitable skill, knowledge, or experience to oversee the non-audit service, 3) a separate discussion of the three categories of attestation engagements, and 4) additional requirements on documentation necessary to support adequate consideration of auditor independence. The Summary of Major Changes is available at the GAO's Government Auditing Standards (Yellow Book) website: <http://www.gao.gov/yellowbook>

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)

www.aicpa.org

Clarity Project: Update & Final Products

The ASB has completed the clarity redrafting of all but two AU sections: AU section 341, *The Auditor's Consideration of the Entity's Ability to Continue as a Going Concern*, is currently being exposed as a draft for public comment and AU section 322, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements* is currently being discussed in draft form. Additionally, in response to frequently asked questions regarding the status and ultimate products of the Clarity Project, the AICPA has prepared responses to those questions most commonly asked. An electronic version of that document can be accessed at: <http://www.aicpa.org/clarityqas.pdf>

Clarified Statements on Auditing Standards Nos. 122–125:

- **No. 122, *Statements on Auditing Standards: Clarification and Recodification***

This statement contains the *Preface to Codification of Statements on Auditing Standards, Principles Underlying an Audit Conducted in Accordance With Generally Accepted Auditing Standards*, and 39 clarified SASs. This statement recodifies and supersedes all outstanding SASs through No. 121 except

- SAS No. 51, *Reporting on Financial Statements Prepared for Use in Other Countries*;
- SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, as amended*;
- SAS No. 65, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements*; and
- SAS No. 87, *Restricting the Use of an Auditor's Report*;

This statement does not recodify or supersede the following clarified SASs that were issued to address practice issues and are already effective:

- SAS No. 117, *Compliance Audits* (issued December 2009);
- SAS No. 118, *Other Information in Documents Containing Audited Financial Statements* (issued February 2010);
- SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole* (issued February 2010); and
- SAS No. 120, *Required Supplementary Information* (issued February 2010).
- This statement also withdraws SAS No. 26, *Association With Financial Statements*, as amended.

This statement is a stand-alone SAS and is not a codification of all clarified SASs, and is effective for audits of financial statements for periods ending on or after December 15, 2012.

- **No. 123, *Omnibus Statement on Auditing Standards - 2011***

This statement contains amendments to

- SAS Nos. 117–118
- SAS No. 122, AU-C sections:
 - 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*
 - 230, *Audit Documentation*
 - 260, *The Auditor's Communication With Those Charged With Governance*
 - 705, *Modifications to the Opinion in the Independent Auditor's Report*
 - 915, *Reports on Application of Requirements of an Applicable Financial Reporting Framework*

These amendments conform SAS Nos. 117–118 to SAS No. 122 and address other changes necessitated by the Clarity Project. This statement is effective for audits of financial statements for periods ending on or after December 15, 2012, and practitioners should refer to individual amendments for specific effective date language.

- **No. 124, *Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country***

SAS No. 124 supersedes the requirements and guidance in SAS No. 51, *Reporting on Financial Statements Prepared for Use in Another Country*, and redrafts that statement to apply the ASB's established clarity drafting conventions. This statement requires the auditor, in instances where a report that is to be used in the United States was prepared in accordance with a financial reporting framework generally accepted in another country, to include an emphasis-of-matter paragraph to highlight the foreign financial reporting framework, but permits the auditor to express an unqualified opinion. This statement is effective for audits of financial statements for periods ending on or after December 15, 2012.

- **No. 125, *Alert That Restricts the Use of the Auditor's Written Communication***

SAS No. 125, issued in December 2011, supersedes SAS No. 87, *Restricting the Use of an Auditor's Report* and amends SAS No. 117, *Compliance Audits*, SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, and several AU-C sections in SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*. SAS No. 125 addresses the auditor's responsibility when the auditor includes in the auditor's report or written communication language that restricts the use of the auditor's written communication. This SAS includes a special *Alert for Engagements Performed in Accordance With Government Auditing Standards* (paragraph 11) that explicitly states that the alert language should not be used when the engagement is performed in accordance with GAGAS, and the auditor's written communication is issued in accordance with AU-C section 265, AU-C section 806, or AU-C section 935. Instead, the alert should describe the purpose of the auditor's written communication and state that the auditor's written communication is not suitable for any other purpose, as follows:

The purpose of this [report, letter, presentation, or communication] is solely to [describe the purpose of the auditor's written communication, such as to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance]. This [report, letter, presentation, or communication] is an integral part of an audit performed in accordance with Government Auditing Standards in considering [describe the results that are being assessed, such as the entity's internal control over financial reporting and compliance]. Accordingly, this [report, letter, presentation, or communication] is not suitable for any other purpose.

ASB Clarity Project -- Extant AU sections mapped to Clarity SASs

The ASB has prepared a chart illustrating the mapping between the extant Auditing Standards and the recently released Clarified Statements on Auditing Standards. This chart shows the extant AU section, identifies the clarified SAS that supersedes the extant AU section, and also identifies the related International Standard on Auditing (ISA), if applicable. This document is available from the AICPA website, and can be accessed at: http://www.aicpa.org/au_sections_mapped_to_clarity_sass.pdf

Clarity Project Archive Information

The AICPA has collected archive materials related to the Auditing Standards Board's Clarity Project. These materials relate to the historical process and provide information about the genesis and creation of the Clarity Project. The AICPA's available materials include:

- AICPA's ASB International Convergence Plan 2008
- Improving the Clarity of ASB Standards March 2007
- Comment Letters received on Improving the Clarity of ASB Standards
- Clarification and Convergence: An AICPA ASB Project July 2008

More information about the Clarity Project is available at:

www.aicpa.org/ImprovingClarityStandards.

Audit Guide: *State and Local Governments* (October 2011)

This guide summarizes new standards, guidance, and practices, and delivers "how-to" advice for handling audit and accounting issues common to state and local governments, and includes relevant information contained in applicable standards and other technical sources. It provides an in-depth discussion and guidance on accounting and auditing considerations for capital assets and investments, including derivatives, and includes examples of auditor's reports for a variety of situations encountered in practice. Updates significant to this Guide include technical guidance contained in:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB Statement No. 53, *Accounting for Financial Reporting for Derivative Instruments*
- Statement on Auditing Standards No. 117, *Compliance Auditing*

Ordering information for this Audit Guide can be obtained through the AICPA website:

<http://www.aicpa.org>

Audit Risk Alert: *Understanding the New Auditing Standards Related to Risk Assessment* (October 2011)

This Audit Risk Alert focuses on the complexities and requirements of the risk assessment process, including gathering the information needed to assess risk, evaluating that information, designing further audit procedures, and evaluating the results. It provides practical information, guidance, practice aids, and illustrative examples for the application of the risk assessment standards including a plain-English overview of the risk assessment process, diagrams and examples to illustrate key points, a discussion of internal control and how it impacts the risk assessment, and step-by-step guidance through the risk assessment process. This publication summarizes the eight risk assessment standards and highlights the significant new requirements found in the standards.

Audit Risk Alert: *Independence and Ethics Developments--2011/12* (December 2011)

This Audit Risk Alert focuses on recent developments in independence and ethics for accountants and auditors—an area that is receiving increasing attention from regulators, investors, the news media, and others. It is intended to help accountants and auditors understand the independence and ethics requirements under the AICPA Code of Professional Conduct and, if applicable, certain other rule-making and standard setting bodies. Additionally, it includes discussions of the new GAO independence standards, the new AICPA Independence Standards regarding confidential information obtained from employment or volunteer activities, as well as the independence and ethics rules promulgated by the Federal Deposit Insurance Corporation (FDIC), International Ethics Standards Board, PCAOB, and U.S. Department of Labor.

Ordering information for Audit Risk Alerts can be obtained through the AICPA website: www.aicpa.org. *Note: This publication is an “other auditing publication” as defined in AU section 150. It has no authoritative status, but may help auditors understand and apply the SASs.*

✚ Interpretation No. 11, "Required Supplementary Information That Accompanies Reviewed Financial Statements," of AR Section 90, *Review of Financial Statements* (October 2011)

Paragraph .60 of AR section 90, *Review of Financial Statements*, addresses situations when the basic financial statements are accompanied by information presented for supplementary analysis purposes. Examples of required supplementary information that may accompany reviewed financial statements include estimates of current or future costs of major repairs and replacements of common property that will be required in the future, and Management's Discussion and Analysis and budgetary comparison statements as required by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This interpretation states that Statements on Standards for Accounting and Review Services (SSARS) do not require the accountant to apply procedures to any information presented for supplementary analysis purposes, including required supplementary information, however, the accountant may modify the accountant's review report by including a separate paragraph that refers to the required supplementary information and explains the circumstances regarding its presentation.

✚ Interpretation No. 17, "Required Supplementary Information That Accompanies Compiled Financial Statements," of AR Section 80, *Compilation of Financial Statements* (October 2011)

Paragraph .53 of AR section 80, *Compilation of Financial Statements*, addresses situations when the basic financial statements are accompanied by information presented for supplementary analysis purposes. Examples of required supplementary information that may accompany compiled financial statements include estimates of current or future costs of major repairs and replacements of common property that will be required in the future, and Management's Discussion and Analysis and

budgetary comparison statements as required by Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This interpretation states that Statements on Standards for Accounting and Review Services (SSARS) do not require the accountant to apply procedures to any information presented for supplementary analysis purposes, including required supplementary information. However, nothing precludes the accountant from compiling the required supplementary information if engaged to do so. The interpretation also states that the accountant may modify the accountant's compilation report by including a separate paragraph that refers to the required supplementary information and explains the circumstances regarding its presentation.

INSTITUTE OF INTERNAL AUDITORS (IIA)

www.theiia.org

Practice Guide: *Independence and Objectivity* (October 2011)

The Institute of Internal Auditors (IIA) Practice Guides provide detailed guidance for conducting internal audit activities and include detailed processes and procedures, such as tools and techniques, programs, and step-by-step approaches, as well as examples of deliverables. This Practice Guide - *Independence and Objectivity* - was developed to address changes and increased expectations related to greater transparency, increased disclosures, expanded internal audit services, increased professionalism, improved coordination among internal and external auditors, greater responsibilities, and more accountability from internal audit professionals. The purpose of this practice guide is to highlight IIA guidance on independence and objectivity, discuss potentially confusing aspects encompassing independence and objectivity, identify activities that support independence and objectivity, as well as various considerations and potential challenges related to independence and objectivity. Finally, it provides frameworks for managing independence and objectivity. The IIA Practice Guides are available for download by IIA members at the IIA website.

Practice Guide: *Reliance by Internal Audit on Other Assurance Providers* (December 2011)

The IIA's International Professional Practices Framework (IPPF) has released a new practice guide which utilizes the fundamental principles established by the *Standards* to provide a process for evaluating the work of others and assessing the reliability of other assurance providers. IIA Practice Guides provide guidance for conducting internal audit activities, and represent *strongly recommended guidance* that includes detailed processes and procedures, such as tools and techniques, programs, and step-by-step approaches for effective implementation of IIA mandatory guidance.

Supplemental Guidance: *Public Sector Definition* (December 2011)

This Supplemental Guidance released by the IIA is intended to clarify the often ambiguous term *public sector*. It provides specific, identifiable criteria to help define the boundary between public and private sector. This document is classified in the new category titled “Supplemental Guidance”, and is not part of the IPPF. This Guidance is available for download by IIA members at the IIA website.

Regulatory Requirements

OFFICE OF MANAGEMENT AND BUDGET (OMB)

www.whitehouse.gov/omb

OMB Circular No. A-136 Financial Reporting Requirements (*Revised*) (October 27, 2011)

The OMB, with the Chief Financial Officers Council (CFOC), has updated existing OMB guidance for agency and government-wide financial reporting, and OMB Circular No. A-136 establishes a central reference point and supersedes the OMB memoranda, bulletin and circular listed in Section 1.2 of the Circular. This update includes:

- Agency due dates and some reporting changes that support the Department of the Treasury in preparing the 2011 *Financial Report of the U.S. Government*;
- Guidance for SFFAS 37, effective in FY 2011, that applies generally to the Statement of Social Insurance, Required Supplementary Information, and requires a new basic financial statement;
- New Annual Performance Report performance reporting requirements under the *Government Performance and Results Act Modernization Act (GPRAMA)*¹ of 2010, effective in FY 2011;
- Continued advance guidance for aligning the Statement of Budgetary Resources with the SF 133, *Report on Budget Execution and Budgetary Resources*, effective in FY 2012; and,
- Continued advance guidance for SFFAS No. 38 effective in FY 2012 that applies to reporting Federal oil and gas resources.

The Circular No. A-136 revision is effective upon issuance, unless otherwise specified.

OMB Memo M-12-01— Creation of the Council on Financial Assistance Reform (October 27, 2011)

The OMB has created a Council on Financial Assistance Reform (Council) that replaces two Federal boards -the Grants Policy Council and the Grants Executive Board to create a more streamlined and accountable structure to coordinate financial assistance. The Council will be providing recommendations on policies and actions necessary to effectively deliver, oversee, and report on grants and cooperative agreements, as well as sharing with executive departments and agencies best practices and ideas for transforming the delivery of this assistance. The Council will

¹ Pub. L. No. 111-352, 124 Stat. 3866 (2011). GPRAMA amends the Government Performance and Results Act of 1993, Pub. L. No. 103-62, 107 Stat. 285 (1993).

be composed of the OMB Controller and senior policy officials from nine other Federal agencies: the Departments of Agriculture, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, Labor, and Transportation. In addition, the Council will include a senior policy official from one other agency, selected by OMB, and for the initial term the National Science Foundation will perform this function.

 **OMB Memo M-12-02— Suspension and Debarment of Federal Contractors and Grantees** *(November 15, 2011)*

The Federal Government pays contractors and grantees, and the suspension and debarment remedy is a powerful tool for protecting taxpayer resources and the integrity of these processes. The basic policies and procedures governing suspension and debarment are established in the Federal Acquisition Regulation (addressing procurement activities) and 2 CFR Subtitle A, Part 180 (addressing non-procurement activities). This memo directs the departments and agencies that are subject to the Chief Financial Officers Act ("CFO Act") to take the following actions:

- Appoint a senior accountable official who shall be responsible for:
 - assessing the agency's suspension and debarment program, including the adequacy of available training and resources (including, where appropriate, full-time staff),
 - ensuring that the agency maintains effective internal controls and tracking capabilities, taking into consideration the agency's mission, organizational structure, and level of procurement and grant-making activities, and
 - ensuring that the agency participates regularly on the Interagency Suspension and Debarment Committee (ISDC).
- Review internal policies, procedures, and guidance to ensure that the agency is protecting the Government's interests and taxpayer funds by effectively using suspension and debarment, when appropriate, as well as other remedies available to the agency that are designed to ensure, before an award is made, that potential contractors and recipients have the requisite business integrity.
- Ensure that the agency's award official(s) review relevant databases and other information sources prior to the award of any Federal grants, contracts, or benefits, to prevent awards from being made to entities that are suspended or debarred or are otherwise non-responsible.
- Take prompt corrective action when the agency determines that it improperly made an award to a suspended or debarred entity.

All of OMB's Fiscal Year 2011 and 2012 memoranda are available at the OMB's website: http://www.whitehouse.gov/omb/memoranda_default/. For more information on any of these OMB documents, or to access other OMB circulars, bulletins, and memoranda for this year or previous years, please see the OMB website: <http://www.whitehouse.gov/omb/agency/default>.

Accounting Standards and Guidance

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB)

www.fasab.gov

✚ FASAB Technical Bulletin 2011-2, *Extended Deferral of the Effective Date of Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs* (September 22, 2011)

This guidance affects all federal entities that own buildings, facilities, ships, or other tangible property, plant, and equipment (PP&E) that contain any form of asbestos and present general purpose federal financial reports in conformance with generally accepted accounting principles, as defined by SFFAS 34. It extends the deferral of the effective date of Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, by one year and is effective for reporting periods beginning after September 30, 2012.

✚ Federal Financial Accounting Technical Release 14 - *Implementation Guidance on the Accounting for the Disposal of General Property, Plant & Equipment* (October 6, 2011)

SFFAS 6 *Accounting for Property, Plant & Equipment* does not provide guidance regarding General Property, Plant & Equipment (G-PP&E) returned to service because removal was not permanent, such as whether the valuation should be restored to acquisition cost or remain at net realizable value. Uncertainty regarding the application of SFFAS 6 provisions to G-PP&E not permanently removed from service as well as uncertainty in determining when removal is permanent contributes to inconsistencies in interpretation and implementation of the standards. The implementation guidance in Technical Release 14 (TR 14) was developed to recognize the complexities involved in the disposal of G-PP&E and identifies events that trigger the discontinuation of depreciation and the removal of G-PP&E from accounting records. This Technical Release supplements the relevant accounting standards but is not a substitute and does not take precedence over the standards, and is effective upon issuance.


FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

www.fasb.org


✚ Accounting Standards Update No. 2011-12 *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (December 2011)

The amendments in this Update supersede changes to those paragraphs in Update 2011-05 that pertain to how, when, and where reclassification adjustments are presented, and are being made to allow the Board time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of

accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the Board is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before Update 2011-05. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011.

 **Accounting Standards Update No. 2011-11 Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities** *(December 2011)*

The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards (IFRS). The amendments in this Update require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The requirements amend the disclosure requirements on offsetting in Section 210-20-50, and the amendments in this Update affect all entities that have financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement. These amendments are required for annual reporting periods beginning on or after January 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.

 **Accounting Standards Update No. 2011-10 Property, Plant, and Equipment (Topic 360): Derecognition of in Substance Real Estate — a Scope Clarification** *(December 2011)*

The amendments in this Update affect entities that cease to have a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate as a result of default on the subsidiary's nonrecourse debt. Under the amendments in this Update, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in substance real estate. The guidance will improve current U.S. GAAP by eliminating the diversity in practice and emphasizing that the accounting for such transactions is based on their substance rather than their form. The amendments in this Update should be applied on a prospective basis to deconsolidation events occurring after the effective date, and, for public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012.
