



# EITF Snapshot

Audit and Enterprise Risk Services

## November 2008

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This *EITF Snapshot* summarizes the November 13, 2008, meeting of the Emerging Issues Task Force.

Initial Task Force consensuses (“consensuses-for-exposure”) are exposed for a comment period upon ratification by the Financial Accounting Standards Board. At its first scheduled meeting after the comment period, the Task Force considers comments received and, as warranted, affirms its consensuses-for-exposure as consensuses. Those consensuses are then provided to the Board for final ratification.

After the November 24, 2008, FASB meeting, official EITF minutes, including the results of the FASB’s ratification process, will be posted to Technical Library: The Deloitte Accounting Research Tool and to the FASB’s Web site. EITF Issue summaries also can be found on those sites.

### Issue 08-1 Revenue Arrangements With Multiple Deliverables

**STATUS:** Consensus-for-exposure.

**AFFECTS:** Entities that enter into revenue arrangements consisting of multiple deliverables. This Issue is not limited to a particular industry.

**BACKGROUND:** Before evaluating how to recognize revenue for transactions with multiple revenue-generating activities, entities should identify all the deliverables in an arrangement. Some arrangements may contain only one deliverable. If there are multiple deliverables, each deliverable must be evaluated to determine the unit of accounting and whether it should be treated separately or in combination in accordance with Issue 00-21<sup>1</sup> or other applicable guidance. Thus, under Issue 00-21, an entity may be required to combine multiple deliverables into a single unit of accounting. The Task Force added this Issue to its agenda to clarify the accounting in Issue 00-21. Some interpret Issue 00-21 as requiring that entities use a **single attribution model** for revenue recognition for a single unit of accounting. Others interpret Issue 00-21 as permitting a **multiple attribution model** for revenue recognition for a single unit of accounting under certain facts and circumstances. **However, Issue 00-21 does not address how to recognize revenue.**

Under a single attribution model, a single method is used to recognize all arrangement consideration (e.g., arrangement consideration is recognized either systematically over the term of the arrangement or on a per-unit basis, but **not both**). Under a multiple attribution model, multiple methods may be used to recognize arrangement consideration (e.g., **both** a systematic basis and a per-unit basis may be used for the single unit of accounting). For example, an up-front payment may be recognized on a straight-line basis over the term of the arrangement, while a price paid per unit may be recognized as units are delivered.

Because of the complexity of this Issue and the various accounting literature that could be affected by a final consensus, the Task Force formed a Working Group in March 2008. The FASB staff and the

<sup>1</sup> EITF Issue No. 00-21, “Revenue Arrangements With Multiple Deliverables.”

Working Group have identified issues that arise in practice when the accounting model in Issue 00-21 is applied. Over the past several months, the Working Group has met to discuss several of these issues, including the following:

- Whether “access or standing ready to perform” can be a deliverable.
- Whether and how contingent deliverables should affect revenue recognition.
- Whether revisions to the Issue 00-21 fair value threshold requirement are necessary.
- Whether it is acceptable to use the milestone method<sup>2</sup> as an “attribution method of revenue recognition.”
- How to apply the proportional performance model to a “single unit of accounting composed of multiple deliverables.”
- Whether it is acceptable to use a straight-line attribution method “for convenience” (e.g., for up-front fees).

The Task Force tentatively decided to address only two of these issues: it will revise the fair value threshold for separation in Issue 00-21 and address whether the milestone method of revenue recognition is appropriate. The revisions to Issue 00-21 will be included in this Issue (Issue 08-1), while guidance on the milestone method will be included in a separate EITF Issue. (See [Issue 08-9, “Milestone Method of Revenue Recognition,”](#) below.)

#### **SUMMARY:**

The Task Force reached a consensus-for-exposure to revise the fair value threshold for separation in Issue 00-21. For arrangements with multiple deliverables, the delivered item or items are considered a separate unit or units of accounting if certain criteria in paragraph 9 of Issue 00-21 are met; one of those criteria requires objective and reliable evidence of fair value for the undelivered item(s). The Task Force reached a consensus-for-exposure to eliminate this criterion.

Issue 00-21 will also be amended to include a hierarchy for an entity to use when estimating the selling price of deliverables that meet the other conditions for separation in paragraph 9 of Issue 00-21 (i.e., an entity must use the selling price that is highest in the hierarchy). That hierarchy is (1) vendor-specific objective evidence (VSOE) of the estimated selling price, (2) third-party evidence of the selling price, or (3) an estimate of the selling price. In addition, the term “selling price” will replace all references to fair value in Issue 00-21. As a result, deliverables are expected to meet the separation criteria (i.e., be considered a separate unit of accounting) more frequently. The draft abstract is expected to include examples that clarify how to estimate the selling price if objective and reliable evidence of the selling price (i.e., VSOE or third-party evidence of the selling price) is not available.

The Task Force also discussed circumstances in which an entity estimates the selling price for undelivered items (i.e., objective and reliable evidence of the selling price does not exist). Paragraph 12 of Issue 00-21 requires that an entity apply the residual method of allocation in those circumstances. The Task Force reached a consensus-for-exposure that the guidance in paragraph 12 be retained in Issue 08-1; however, entities would limit the total consideration allocated to the delivered items to the objective and reliable evidence of the selling price of those items, if known.

The Task Force also agreed to require certain qualitative and quantitative disclosures about an entity's methods and inputs used to estimate selling price.

#### **EFFECTIVE DATE**

#### **AND TRANSITION:**

A consensus would be effective for fiscal years beginning after December 15, 2009. Entities would have to apply this Issue prospectively to new or modified arrangements after the Issue's effective date. Early application as of the beginning of an entity's fiscal year would be permitted.

The Task Force tentatively decided to require certain transition disclosures that would provide financial statement users with information on assessing the impact of prospective adoption of Issue 08-1 in contrast to full retrospective application. The details of these disclosures are still unclear, but entities would be required to disclose the amounts reflected in the financial statements for existing arrangements to which the entity continues to apply Issue 00-21 after the effective date of Issue 08-1.

#### **NEXT STEPS:**

FASB ratification is expected at the Board's November 24, 2008, meeting, after which the consensus-for-exposure will be exposed for a comment period.

During the deliberation of this Issue, numerous Task Force members and other constituents have questioned whether the amendments to Issue 00-21 should also be considered in other authoritative accounting guidance, specifically SOP 97-2.<sup>3</sup> These constituents believe that sales transactions of

<sup>2</sup> The Task Force has tentatively described the milestone method as a revenue recognition approach in which “a vendor recognizes arrangement consideration received from the achievement of a milestone in its entirety in the period in which the milestone is achieved.” (For more information, see paragraph 7 of Appendix 08-9A in [Issue Summary No. 1](#) of Issue 08-9.)

<sup>3</sup> AICPA Statement of Position 97-2, *Software Revenue Recognition*.

software-enabled devices that are within the scope of SOP 97-2 are similar to transactions in Issue 08-1. The Task Force and the FASB staff discussed working on a project to consider changes to the scope or guidance in SOP 97-2 and, potentially, other literature. However, the FASB chairman has not formally added this project to the Task Force's agenda.

## Issue 08-9 Milestone Method of Revenue Recognition

<b>STATUS:</b>	Tentative conclusion reached.
<b>AFFECTS:</b>	Entities that enter into revenue arrangements in which the vendor satisfies its performance obligations to a customer over time and in which all or a portion of the arrangement consideration is contingent upon the achievement of milestones (as defined in the Issue). This Issue is not limited to a particular industry.
<b>BACKGROUND:</b>	This Issue was initially developed as part of Issue 08-1. See the Background section under Issue 08-1 for more information.
<b>SUMMARY:</b>	<p>The Task Force reached a tentative conclusion that the milestone method is an appropriate proportional performance method of revenue recognition for entities that enter into arrangements containing consideration that is contingent upon the achievement of substantive milestones. The Task Force acknowledged that the milestone method is only one acceptable revenue attribution model for such arrangements and that entities should apply the revenue recognition model that is most appropriate in the facts and circumstances.</p> <p>Entities within the scope of this Issue will have to determine whether the milestone method is appropriate for a particular arrangement by first identifying all milestones in the arrangement and then assessing whether those milestones are substantive. The Issue defines a milestone and provides guidance on when milestones are considered substantive. For arrangement consideration not within the scope of this Issue, entities must apply other revenue recognition guidance. The Task Force has also tentatively decided that this Issue will include examples to help entities apply this guidance.</p> <p>For material milestone arrangements, the Task Force discussed potential disclosures, including (1) a description of the overall arrangement, (2) a description of the underlying milestones and related contingent consideration, (3) a list of factors considered by the entity in assessing whether milestones are substantive, and (4) the amount of milestone consideration earned during the period.</p>
<b>NEXT STEPS:</b>	Further deliberations by the Task Force are expected at a future meeting.

## Issue 08-6 Equity Method Investment Accounting Considerations

<b>STATUS:</b>	Final consensus.
<b>AFFECTS:</b>	Entities that acquire or hold investments accounted for under the equity method.
<b>BACKGROUND:</b>	<p>Certain provisions in Opinion 18<sup>4</sup> require entities to account for equity method investments as if the investee were consolidated. Statements 141(R)<sup>5</sup> and 160,<sup>6</sup> which are effective for fiscal years beginning on or after December 15, 2008, amend the accounting for consolidated subsidiaries. Opinion 18 states that the difference between the cost of an equity method investment and the underlying equity in the net assets of that investee should be accounted for as if the investee were consolidated. Generally, business combination accounting guidance had been applied to the acquisitions of equity method investments. Because of the significant changes to the guidance on subsidiary acquisitions and subsidiary equity transactions and the increased use of fair value measurements as a result of Statements 141(R) and 160, questions have arisen regarding the application of that accounting guidance to equity method investments.</p> <p>At issue are the following:</p> <p><i>Initial Recognition and Measurement</i></p> <ul style="list-style-type: none"><li>• How to determine the initial carrying value of an equity method investment.</li><li>• How to allocate the difference between the investor's carrying value and the underlying equity of the investee to the underlying assets and liabilities of the investee.</li></ul>

<sup>4</sup> APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*.

<sup>5</sup> FASB Statement No. 141(R), *Business Combinations*.

<sup>6</sup> FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51.

### *Subsequent Measurement Issues*

- How to assess the impairment of underlying assets of an equity method investment.
- How an equity method investor should account for an equity method investee's issuance of shares.
- How to account for a change in an investment from the equity method to the cost method.

**SUMMARY:** The Task Force reached a consensus on all of the above issues, except how to allocate the difference between the investor's carrying value and the underlying equity of the investee to the underlying assets and liabilities of the investee. The Task Force discussed some different approaches to that issue but ultimately decided not to provide explicit guidance.

Regarding the other issues, the Task Force reached a consensus that:

- An entity should determine the initial carrying value of an equity method investment by applying the cost accumulation model described in paragraphs D3– D7 of Appendix D of Statement 141(R).
- An entity should use the other-than-temporary impairment model of Opinion 18, not some other method that disaggregates the investment into the individual assets of the investee, when testing equity method investments for impairment. However, investors should adjust any impairments recorded by an investee for existing differences between the investor's basis and the underlying investee's basis in such impaired assets.
- Share issuances by the investee should be accounted for as if the equity method investor had sold a proportionate share of its investment (i.e., any gain or loss is recognized in earnings).
- When an investment is no longer within the scope of equity method accounting and instead is within the scope of cost method accounting or Statement 115,<sup>7</sup> the investor should prospectively apply the provisions of Opinion 18 or Statement 115 and use the current carrying amount of the investment as its initial cost.

### **EFFECTIVE DATE**

**AND TRANSITION:** To coincide with the effective dates of Statements 141(R) and 160, the consensus is effective for transactions occurring in fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption is not permitted.

**NEXT STEPS:** FASB ratification is expected at the Board's November 24, 2008, meeting.

## **Issue 08-7     Accounting for Defensive Intangible Assets**

**STATUS:** Final consensus.

**AFFECTS:** Entities that will acquire intangible assets after the effective date of Statement 141(R),<sup>8</sup> when the entity has no intention of actively using, or intends to discontinue use of, the intangible asset but holds it (locks it up) to prevent others from obtaining access to it (i.e., a defensive intangible asset).

**BACKGROUND:** An entity must record an acquired defensive intangible asset at its fair value under Statement 141(R). For example, an entity may acquire a trade name through a business combination; the entity may have no intention of using the trade name but may intend to lock it up to block others from obtaining access to it. Under Statement 141 (before revision), little or no value may have been assigned to this intangible asset. This is because many entities applied the accounting guidance in paragraph 37(d) of Statement 141, which permitted entities to allocate an amount less than fair value to an acquired asset when the acquirer intended to use the asset in a way that indicated a lower value to the acquirer.

Under Statements 141(R) and 157,<sup>9</sup> an acquiring entity must assign value to intangible assets on the basis of the highest and best use of those assets as determined from a market participant perspective. That is, even when an acquiring entity does not intend to use the asset (or intends to use it in a manner that is inconsistent with the manner in which a market participant would use it), the entity must determine the fair value of the intangible asset on the basis of the amount that a market participant would pay for it.

<sup>7</sup> FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

<sup>8</sup> Statement 141(R) is effective for fiscal years beginning on or after December 15, 2008.

<sup>9</sup> FASB Statement No. 157, *Fair Value Measurements*.

Once an entity determines the fair value of a defensive intangible asset, it must apply Statement 142<sup>10</sup> to determine the appropriate useful life to assign to it. The useful life assigned dictates whether the intangible asset will be amortized and, if so, over what period. Paragraph 11<sup>11</sup> of Statement 142 lists several factors an entity should consider when determining the useful life, stating that “[i]f no legal, regulatory, contractual, competitive, economic, or other factors limit the useful life of an intangible asset to the reporting entity, the useful life of the asset shall be considered to be indefinite.” The distinction between finite-lived and indefinite-lived intangible assets is important because, aside from amortization, finite-lived intangibles are tested for impairment pursuant to Statement 144<sup>12</sup> while indefinite-lived intangibles are tested for impairment pursuant to Statement 142. These two statements provide different accounting models for impairments and, depending on which accounting guidance is applied to a defensive intangible asset, can produce significantly different financial statement results. As entities are considering implementation issues associated with Statements 141(R) and 157, many are struggling with the appropriate useful life to assign to these defensive intangible assets and the application of the related impairment tests.

At its previous meeting, the Task Force discussed how this Issue would apply to research and development assets. Statement 141(R) amended paragraph 16 of Statement 142 to require that intangible assets acquired in a business combination that are used in research and development activities (regardless of whether they have an alternative future use) be reported as “indefinite lived until the completion or abandonment of the associated research and development efforts.” After completion or abandonment, the entity must apply paragraph 11 of Statement 142 to determine the useful life of these assets (i.e., similarly to how useful life is determined for other intangible assets).

At issue is how to account for defensive assets after their initial measurement. Specifically, the Issue addresses:

- Whether an acquired defensive asset should be accounted for as a separate unit of accounting or whether the value of an acquired defensive asset should be added as a component of an existing intangible asset (recognized or not recognized) of the acquirer.
- Whether acquired research and development assets that an entity holds for defensive purposes should be accounted for under this Issue or under the amended paragraph 16 of Statement 142.
- What useful life should be assigned to an acquired defensive asset.

**SUMMARY:** The Task Force redeliberated the consensus-for-exposure and reached a consensus that (1) an acquired defensive asset should be accounted for as a separate unit of accounting (i.e., an asset separate from other assets of the acquirer), (2) an acquired research and development asset is outside this Issue’s scope and should be accounted for pursuant to paragraph 16 of Statement 142, and (3) the useful life assigned to an acquired defensive asset should be based on the period during which the asset would diminish in value. The Task Force also reached a consensus that it would be rare for an entity to conclude that a defensive asset has an indefinite life. The Issue also includes examples illustrating how to determine the amortization period.

**EFFECTIVE DATE**

**AND TRANSITION:** To coincide with the effective date of Statement 141(R), the consensus is effective for defensive intangible assets acquired in fiscal years beginning on or after December 15, 2008.

**NEXT STEPS:** FASB ratification is expected at the Board’s November 24, 2008, meeting.

## Issue 08-8 **Accounting for an Instrument (or an Embedded Feature) With a Settlement Amount That Is Based on the Stock of an Entity’s Consolidated Subsidiary**

**STATUS:** Final consensus.

**AFFECTS:** Reporting entities that enter into freestanding financial instruments (or instruments that contain embedded features) for which the payoff to the counterparty is indexed, in whole or in part, to the stock of a consolidated subsidiary.

**BACKGROUND:** Certain reporting entities enter into freestanding financial instruments (or instruments that contain embedded features) for which the payoff to the counterparty is indexed to, in whole or in part, the stock of a consolidated subsidiary. A derivative instrument (or embedded feature) that is deemed indexed to an entity’s own stock **may** be exempt from the requirements of Statement 133.<sup>13</sup> Specifically, paragraph 11(a) of Statement 133 provides a scope exception for an instrument (or

<sup>10</sup> FASB Statement No. 142, *Goodwill and Other Intangible Assets*.

<sup>11</sup> Paragraph 11 was amended by FASB Staff Position No. FAS 142-3, “Determination of the Useful Life of Intangible Assets.” For more information about this FSP, see Deloitte’s [April 29, 2008, Heads Up](#).

<sup>12</sup> FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

<sup>13</sup> FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

embedded feature) that is **both** (1) indexed to the reporting entity's own stock and (2) classified in stockholders' equity in its statement of financial position. In addition, a freestanding instrument that is indexed to a company's own stock remains eligible for equity classification under Issue 00-19.<sup>14</sup> Issue 00-6,<sup>15</sup> which currently applies to freestanding derivative instruments entered into by the parent, states that stock of a subsidiary is not considered equity of the parent (reporting entity). Therefore, because derivative instruments (freestanding or embedded) indexed to and potentially settled in the stock of a consolidated subsidiary are not indexed to the reporting entity's **own stock**, these instruments (1) do not qualify for the scope exception in paragraph 11(a) of Statement 133 and (2) are not subject to Issue 00-19. As a result, such financial instruments have historically been classified as liabilities (and sometimes assets).

Because Statement 160 has not yet become effective, entities have generally reported the noncontrolling interest in a subsidiary as a "mezzanine" item (between liabilities and equity) in the consolidated statement of financial position. However, Statement 160 requires reporting entities to classify noncontrolling interests in equity, separately from the parent entity's equity. Stated differently, Statement 160 requires reporting entities to view subsidiary equity as equity of the parent entity. The Statement did not amend the accounting guidance in Issue 00-6 for financial instruments that are indexed to, and potentially settled, in the stock of a consolidated subsidiary. In the Basis for Conclusions of Statement 160, the Board acknowledged that "there is an inconsistency between its decision in this Statement and the guidance in Issue 00-6 because in Issue 00-6 the Task Force reached a consensus that 'stock of a subsidiary is not considered equity of the parent (reporting entity) (paragraph 3).'" Although the Board did not address that inconsistency in Statement 160, the FASB chairman added this Issue to the Task Force's agenda in July 2008.

At issue are the following:

- Whether freestanding financial instruments (or embedded features) within the scope of this Issue are precluded from being considered indexed to the entity's own stock in the consolidated financial statements.
- If the Task Force reaches a consensus that a freestanding financial instrument within the scope of this Issue is an equity instrument (including an embedded feature that is separately recorded in equity), where that financial instrument should be classified within consolidated stockholders' equity (noncontrolling interest or controlling interest).

The Task Force previously exposed a consensus on this Issue.

#### **SUMMARY:**

The Task Force redeliberated its consensus-for-exposure and reached a consensus that freestanding financial instruments (or embedded features) that are indexed to, in whole or in part, the stock of a consolidated subsidiary are considered indexed to the entity's own stock in the consolidated financial statements if (1) the requirements of Issue 07-5<sup>16</sup> are met and (2) the subsidiary is a substantive entity. This Issue requires that any subsidiary referenced in the freestanding instrument (or embedded feature) be substantive to ensure that entities cannot receive equity classification for a financial instrument referenced to a subsidiary that has no business purpose (e.g., the subsidiary was formed to hold a derivative instrument or a commodity).

The Task Force also reached a consensus that an equity-classified instrument (including an embedded feature that is separately recorded in equity) within the scope of this Issue should be presented as a component of noncontrolling interest in the consolidated financial statements in a manner consistent with the conclusions in Statement 160. However, if an equity-classified instrument within the scope of this Issue is entered into by the parent and expires without being exercised, the carrying amount of the instrument at expiration would be reclassified from noncontrolling interest to controlling interest.

#### **EFFECTIVE DATE**

#### **AND TRANSITION:**

To coincide with the effective date of Statement 160, the consensus is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. At transition, the carrying value of the instrument (or separated embedded feature) previously classified as a liability will be reclassified to noncontrolling interest. Early adoption is not permitted.

#### **NEXT STEPS:**

FASB ratification is expected at the Board's November 24, 2008, meeting.

<sup>14</sup> EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock."

<sup>15</sup> EITF Issue No. 00-6, "Accounting for Freestanding Derivative Financial Instruments Indexed to, and Potentially Settled in, the Stock of a Consolidated Subsidiary."

<sup>16</sup> EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock."



## Issue 08-10      Selected Statement 160 Implementation Questions

**STATUS:** Consensus-for-exposure.

**AFFECTS:** An entity that transfers an ownership interest in a consolidated subsidiary to another entity, resulting in deconsolidation of the subsidiary. This Issue discusses several situations in which the application of Statement 160 conflicts with existing authoritative accounting guidance on (1) sales of interests in a subsidiary that are “in-substance” real estate; (2) the transfer of an interest in a subsidiary to an equity method investee; and (3) the transfer of an interest in a subsidiary in exchange for a joint venture interest.

**BACKGROUND:** Before the issuance of Statement 160, entities applied various accounting guidance to the deconsolidation of a subsidiary that results from a sale or transfer of a controlling ownership interest. Statement 160 establishes an accounting model for the deconsolidation of a subsidiary and the accounting for income recognition upon deconsolidation; however, it does not amend certain accounting guidance that entities previously followed regarding income recognition upon deconsolidation of an ownership interest. This has led many constituents to question which authoritative accounting guidance they should apply after the effective date of Statement 160. Statement 160 requires an entity to recognize a gain or loss, if any, in earnings for any deconsolidation of a subsidiary when an interest in that former subsidiary is retained. Specifically, Statement 160 requires that the retained investment be measured at its fair value and provides guidance on how the gain or loss is determined upon deconsolidation. In contrast, Statement 66<sup>17</sup> and SOP 78-9<sup>18</sup> specifically apply to sales or transfers of ownership interests in subsidiaries that are in-substance real estate and precludes full gain or loss recognition when an interest is retained. Some constituents have also questioned whether an entity should apply Statement 160’s deconsolidation guidance to transfers of ownership interests to an equity method investee (or in return for a joint venture interest) that result in deconsolidation of a consolidated subsidiary. Specifically, some constituents have asserted that Statement 160’s deconsolidation guidance conflicts with Opinion 18, which requires an investor that is applying the equity method of accounting to eliminate intercompany gains or losses as if the investee were consolidated. Similarly, Issue 01-2<sup>19</sup> includes an SEC observer comment that precludes gain or loss on deconsolidation of a subsidiary when that subsidiary is exchanged for a joint venture interest and cash consideration is not received.

At issue are the following:

- Whether an entity should apply Statement 160, or should continue to apply accounting guidance specific to the sales of real estate (e.g., Statement 66 or SOP 78-9), to sales of ownership interests in a subsidiary that is in-substance real estate and that results in deconsolidation of a previously consolidated subsidiary.
- Whether an entity should recognize or eliminate gains or losses, if any, on the transfer of an ownership interest to an equity method investee that results in deconsolidation of a previously consolidated subsidiary.
- Whether an entity should apply Statement 160 or other authoritative guidance to the transfer of an ownership interest in exchange for a joint venture interest that results in deconsolidation of a previously consolidated subsidiary.

**SUMMARY:** The Task Force reached a consensus-for-exposure that an entity should (1) continue to apply accounting guidance specific to the sales of real estate (e.g., Statement 66 or SOP 78-9) to sales of ownership interests in a subsidiary that is in-substance real estate and that results in deconsolidation of a previously consolidated subsidiary, (2) recognize gains or losses, if any, by applying Statement 160 to the transfer of an ownership interest to an equity method investee that results in deconsolidation of a previously consolidated subsidiary, and (3) apply Statement 160 to the transfer of an ownership interest in exchange for a joint venture interest that results in deconsolidation of a previously consolidated subsidiary.

The Task Force also reached a consensus-for-exposure that gain or loss recognition is only appropriate when the subsidiary being deconsolidated is a “substantive entity.”

<sup>17</sup> FASB Statement No. 66, *Accounting for Sales of Real Estate*.

<sup>18</sup> AICPA Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*.

<sup>19</sup> EITF Issue No. 01-2, “Interpretations of APB Opinion No. 29.”

**EFFECTIVE DATE**

**AND TRANSITION:** To coincide with the effective date of Statement 160, a consensus would be effective for transactions occurring in fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Early adoption would not be permitted.

**NEXT STEPS:** FASB ratification is expected at the Board's November 24, 2008, meeting, after which the consensus-for-exposure will be exposed for a comment period.

## Administrative Matters

**January 2009 Meeting** — The Task Force expects to hold a meeting in January 2009. (Typically, the January meeting has not been held.) The FASB staff announced that it intends to use this meeting to have the Task Force reach a final consensus on Issue 08-10, which will be after the Issue's exposure period. Other Issues may also be discussed at the January 2009 meeting, but no formal agenda has been published.

**Issue 08-11, "Accounting for Share Lending Arrangements in Contemplation of Convertible Debt Issuances and the Related Determination of Earnings per Share"** — The FASB chairman added this Issue to the agenda in October 2008; however, the Task Force did not discuss it at the November meeting. The Task Force plans to discuss this Issue at its March 2009



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