

2
Smaller ????

2
Prof?????

3
Fair Val?????

4
Electro?????

TAUBER & BALSER

Interactive Data Reaches Rule-Proposal Stage

The Securities and Exchange Commission has voted unanimously to formally propose using new technology to get important information to investors faster, more reliably, and at a lower cost.

At the center of this SEC proposal is "interactive data." These computer "tags" are similar in function to bar codes used to identify groceries and shipped packages. The interactive data tags uniquely identify individual items in a company's financial statement so they can be easily searched on the Internet, downloaded into spreadsheets, reorganized in databases, and put to any number of other comparative and analytical uses by investors, analysts and journalists.

"This is all about bringing investors better, faster, more meaningful information about the companies they own," said SEC Chairman Christopher Cox. "It would transform financial disclosure from a 1930s form-based system to a truly 21st century model that taps the power of technology for the benefit of investors."

Largest Companies Go First

Since 2005, companies have voluntarily submitted to the SEC financial information in interactive data format. The rules in the new proposal would require companies to provide this information according to a phase-in schedule, with the largest companies required to use interactive data beginning next year.

The SEC's proposed schedule would require companies using U.S. Generally

Accepted Accounting Principles with a worldwide public float over \$5 billion (approximately the 500 largest companies) to make financial disclosures using interactive data formatted in eXtensible Business Reporting Language (XBRL) for fiscal periods ending in late 2008.

If adopted, the first interactive data provided under the new rules would be made public in early 2009. The remaining companies using U.S. GAAP would provide this disclosure over the following two years. Companies using International Financial Reporting Standards as issued by the International Accounting Standards Board would provide this disclosure for fiscal periods ending in late 2010. The disclosure would be provided as additional exhibits to annual and quarterly reports and registration statements. Companies also would be required to post this information on their websites.

Benefits Beyond Reporting

The SEC's Advisory Committee on Improvements to Financial Reporting has been studying interactive data that companies have voluntarily submitted since 2005. Over time, the SEC sees companies benefiting through improved management of internal information and applications, while investors have a better way to analyze financial information.

David M. Blaszkowsky, Director of the SEC's Office of Interactive Disclosure, said, "Information — meaningful, accurate, timely, easy-to-use financial reporting — always has been the driver of commerce and markets. This

Expanding Investment Capital

The Securities and Exchange Commission's Division of Investment Management has prepared a recommendation for consideration by the SEC to increase the availability of capital to certain smaller companies that do not have ready access to the public capital markets or other forms of conventional financing.

The Division has recommended that the SEC adopt an amendment to the Investment Company Act's Rule 2a-46, which defines the types of companies in which business development companies (BDCs) may invest most of their assets. Congress in 1980 established BDCs, which are publicly traded investment companies, to help make capital more readily available to small developing and financially troubled businesses.

The Investment Company Act requires a BDC to have at least 70 percent of its portfolio invested in certain assets, including securities of "eligible portfolio companies," which are often small or developing businesses, at the time it makes any new investments. The proposed amendment would expand the definition of

eligible portfolio company to include certain companies that list their securities on a national securities exchange.

In 2006, the SEC adopted Rule 2a-46, which defines eligible portfolio company to include all private companies and public companies whose securities are not listed on a national securities exchange. The SEC also adopted a rule that conditionally permits a BDC to include in its 70 percent basket any follow on investments in a company that met the new definition of eligible portfolio company at the time of the BDC's initial investment in it.

When Rule 2a-46 was adopted, the SEC also proposed to amend the rule to further expand the definition of eligible portfolio company to include certain smaller companies that list their securities on a national securities exchange. The amendment was designed to facilitate small business capital formation by providing added investment flexibility to BDCs, consistent with the purpose of the Investment Company Act.

Issuance of a final rule amendment requires a vote of the Commissioners.

GETTING TO KNOW...

E

404 DELAY continued from page 1

proposal provides the critical regulatory framework by which interactive data will make financial reporting more easily and quickly available, and help transform the relationship between filer and investor."

The required tagged disclosures would include companies' primary financial statements, notes, and financial statement schedules. Initially, companies would tag notes and schedules as blocks of text, and a year later, they would provide tags for the details within the notes and schedules.

Companies filing under the proposed rule that use U.S. GAAP will use upgraded data tags issued April 28, 2008, by XBRL US, Inc. that were developed based on U.S. GAAP and on the review of hundreds of actual SEC filings. The SEC's EDGAR system will accept test filings using a February 11 version of these tags later this month, with the final April 28 version of the tags becoming usable in June. In addition,

an interim system is expected to be announced shortly that will enable companies immediately to provide interactive data submissions to the SEC using the April 28 version of the tags.

The SEC has had an interactive data pilot program for three years, beginning in 2005. It covered the financial statements of corporate filers. In addition, the SEC began an interactive data filing program for mutual fund risk return information in August 2007. Also last year, the SEC created an online database tagging executive compensation data for 500 large companies. Filers seeking a head start on data tagging are invited to formally join these SEC voluntary filing programs or informally practice with the new data tags.

The full text of the rule proposal will be posted to www.sec.gov, with a public comment period lasting 60 days after the proposal's publication in the *Federal Register*.

TAX TIP

The updated Code Section 409A regulations offer clear guidelines governing the taxation of virtually all types of nonqualified deferred compensation arrangements. The new regulations became completely effective on January 1, 2008. If a plan is found to be in violation of the rules, the executive's benefit becomes subject to income tax, an interest penalty and a 20% excise penalty. The new rules clearly shift the burden of proof to the executive. Carefully scrutinizing nonqualified deferred compensation plans for possible rule violations is in the best interest of all involved parties.

Copyright © 2007
Tauber & Balsler, P.C.
Accountants and Consultants

To subscribe:
404.261.7200 or
online at www.tbcpa.com

**PUBLIC COMPANY
TEAM LEADERS:**

J. Marc Welch, CPA
mwelch@tbcpa.com

Sheldon D. Zimmerman, CPA
szimmerman@tbcpa.com

This publication is intended to provide accurate and authoritative information on the subject matter covered. It is distributed with the understanding that the publisher is not rendering legal, accounting or other professional advice and assumes no liability whatsoever in connection with its use.

FASB's Statement No. 162 Improves GAAP Hierarchy

The Financial Accounting Standards Board (FASB) has issued FASB Statement No. 162, *The Hierarchy of Generally Accepted Accounting Principles*. The new standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities.

Before Statement 162 was issued, GAAP hierarchy was defined in the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of "Present Fairly in Conformity With Generally Accepted Accounting Principles."* SAS 69 has been criticized because it is

directed to the auditor rather than the entity. The new Statement 162 addresses these issues by establishing that the GAAP hierarchy should be directed to entities because it is the entity (not its auditor) that is responsible for selecting accounting principles for financial statements that are presented in conformity with GAAP.

Statement 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.* It is only effective for nongovernmental entities; therefore, the GAAP hierarchy will remain in SAS 69 for state and local governmental entities and federal governmental entities.

You'll find the full Statement No. 162 online at: www.fasb.org.

TAUBER & BALSER P.C.
Accountants and Consultants

1155 Perimeter Center West, Suite 600
Atlanta, Georgia 30338-5416

Address service requested

PRSR-STD
US POSTAGE
PAID
ATLANTA GA
PERMIT # 5264