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Smaller Reporting Company Regulatory Relief and Simplification

Small companies received a regulatory gift February 4th, when the Securities and Exchange Commission's (SEC) Release No. 33-8876, was published as a final rule. The new ruling has three major objectives:

- Expanding the number of smaller companies eligible to use scaled disclosure requirements
- Reducing unnecessary complexity in SEC regulations by combining the category of "small business issuers" with the category of "non-accelerated filers" to the extent feasible
- Simplifying disclosure requirements by moving scaled disclosure requirements for smaller companies from Regulation S-B into Regulation S-K, the integrated disclosure system for other companies.

New Definition for "Smaller Reporting Company"

A "smaller reporting company" is defined as a company that meets all of the following criteria: is not an investment company, an asset-backed issuer, or the majority-owned subsidiary of a parent that was not a smaller reporting company; had a public float of less than \$75 million as of the last business day of its most recently completed second fiscal quarter; and in the case of an issuer whose public float was zero, had annual revenues of less than \$50 million during its most recently completed fiscal year for which audited financial statements are available on the date of the filing.

Public float is calculated by multiplying the aggregate worldwide number of shares of the company's voting and non-voting common equity by the price at which its shares of common equity were last sold, or the average of the bid and asked prices in their principal market as of the measurement date.

The new provisions permit all foreign companies to qualify as "smaller reporting companies" if they otherwise qualify and choose to file on domestic company forms and provide financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles.

A company that qualifies as a smaller reporting company will be required to check the "smaller reporting company" box on the registration statement or periodic report filed, whether or not it chooses to rely on the scaled disclosure standards of the amended Regulation S-K requirements.

Streamlining and Simplifying

With the elimination of Regulation S-B, all "SB" designated forms will be phased out, including Forms 10-KSB, 10-QSB, SB-1 and SB-2. The new ruling moves 12 non-financial scaled disclosure item requirements from Regulation S-B into Regulation S-K. These scaled requirements will be available only for smaller reporting companies. The remaining 24 item requirements of Regulation S-B are substantially the same as their corresponding Regulation S-K item requirements.

SEC's Priorities for 2008

In a speech to the Annual Securities Regulation Institute, John White, Director of the SEC's Division of Corporation Finance presented a substantial glimpse of the SEC's areas of focus for corporation finance in 2008. The two major themes are financial reporting and international matters, with financial reporting topping the list. The following is an overview of 2008 priorities.

Financial Reporting

Expect to see substantial focus in these areas:

- Interactive data – XBRL
- Advisory Committee on Improvements in Financial Reporting (CIFiR) is studying the causes of financial reporting complexity & will issue a report and recommendation in August 2008. The study is focusing on:
 1. How to approach setting financial accounting and reporting standards
 2. How the process of regulating compliance by registrants and financial professionals with accounting and reporting standards can be improved
 3. The systems for delivering financial information to investors and accessing that information.

- Management guidance and AS5
- Restatements and Item 4.02 of Form 8-K
- Corporate websites
- Oil and gas disclosure

International Matters

- International Financial Reporting Standards
- Deregistration
- Upcoming International Initiatives (less high profile, but important)
 - Exchange Act Section 12(g) "entrance rules"
 - Use of automatic shelf registration by foreign companies that are well-known seasoned issuers (WKSIs)
 - Annual report deadline for foreign issuers
 - Application of the foreign private issuer definition
 - Cross-border tender offer rules
 - Mutual recognition

Other themes for 2008 include executive compensation; small business capital raising and private offering reform; and proxy matters. Watch future editions of *Public Company Perspectives* for updates on these issues.

GETTING TO KNOW...



Mark Murovitz

As managing principal of Tauber & Balser, P.C., Mark Murovitz, CPA, MBA, sets the tone for the firm's business-oriented approach to client engagements. "An intimate knowledge of each client's operation is essential," he says.

With more than 40 years of professional experience, including 20 in an international accounting firm, Mark has been the audit partner for public companies from their initial public offerings through quarterly and annual filings. In addition, Mark has served as an expert witness on the application of generally accepted accounting principles and generally accepted auditing standards for public and private companies.

Mark is an active member of Tauber & Balser, P.C.'s Auditing and Accounting Department and the Forensic Accounting Services Team. Representative assignments on

which Mark has worked include: Team captain for AICPA peer review; Public Oversight Board representative for AICPA peer review; Team captain and reviewer for national accounting firm internal accounting and auditing department inspections; and Member of concurring partner cadre – second partner reviewer for SEC and other high risk engagements.

Mark is a member of national and state CPA societies. He received his MBA at Emory University and his undergraduate degree from the University of Charleston. He currently serves on the board of the Chelko Foundation and has served on the boards for The Marcus Jewish Community Center, The Temple, The Greenfield Hebrew Academy and Yeshiva High School. He enjoys sailing, spending time with his family and attending the theater, symphony and opera.

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FASB and IASB Reach Global Standards Convergence Milestone

The Financial Accounting Standards Board (FASB) has issued FASB Statements No. 141 (revised 2007), *Business Combinations*, and No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, effective for fiscal years beginning after December 15, 2008.

The standards will improve, simplify, and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements.

"The new standards represent the completion of the FASB's first major joint project with the International Accounting Standards Board (IASB), as well as a significant convergence milestone," states FASB member G. Michael Crooch. In January, the IASB issued counterpart standards IFRS 3 (revised), *Business Combinations*, and IAS 27 (as revised in 2007), *Consolidated and Separate Financial Statements*.

Statement 141(R) improves reporting by creating greater consistency in the accounting and financial reporting of business combinations, resulting in more complete, comparable, and relevant information for investors and other users of financial statements. To achieve this goal, the new standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. Statement 141(R) also will reduce the complexity of existing GAAP.

Statement 160 improves the relevance, comparability, and transparency of financial information provided to investors by requiring all entities to report noncontrolling (minority) interests in subsidiaries in the same way – as

equity in the consolidated financial statements. Moreover, Statement 160 eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions.

The FASB and the IASB initiated the joint project that resulted in the new standards because U.S. GAAP and IFRS differed widely in their approach to accounting for business combinations.

The new standards issued by the Boards will contain the same fundamental principles and the related application guidance is similar in most respects; remaining differences will be candidates for reconsideration by the Boards in current or future convergence projects.

SMALLER COMPANY RELIEF continued from page 1

What are the Compliance Dates?

The SEC has instituted a transition period, where companies that are currently designated as "small business issuers," as of February 4, 2008, have the option to use the new scaled disclosure requirements immediately or to continue to report on Form 10-KSB for their first fiscal year ending on or after December 15, 2007 and on Form 10-QSB for quarterly reports filed in 2008.

Form 10-QSB may be used until October 31, 2008, and Form 10-KSB may be used until March 15, 2009.

Current non-accelerated filers that qualify as smaller reporting companies may use the new scaled disclosure provisions for their first Form 10-K filed after February 4, 2008 and for all Forms 10-Q filed after the company's first Form 10-K.

For a more in-depth look at the changes this new ruling brings, you can download the full text here: <http://sec.gov/rules/final/2007/33-8876.pdf>.

TAX TIP

The Section 179 deduction almost doubles going from \$128,000 to \$250,000. Taxpayers can expense up to this amount before capitalizing assets for depreciation. The new law also provides taxpayers with 50 percent bonus depreciation for qualifying property. The property must be purchased and placed in service in 2008. The original use of the property must begin with the taxpayer. Eligible property includes (1) MACRS property with a recovery period of 20 years or less; (2) water utility property; (3) "off the shelf" computer software; or (4) qualified leasehold property.

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Is This the Year for XBRL?

This could be the year that Extensible Business Reporting Language (XBRL) comes fully to life.

The Securities and Exchange Commission (SEC) will likely issue a proposal this Spring mandating XBRL, an interactive computer language for financial-statement filing.

In a speech to the Annual Securities Regulation Institute, John White, Director of the SEC's Division of Corporation Finance, said that a proposal could be released this Spring, with final action coming in the Fall.

"This would be an aggressive schedule," said White, "but there's time in that schedule for a real field test of the taxonomies released for comment in December by our voluntary filers in their 2008 filings. If successful, you can guess where this is all likely to lead."

In addition, the Advisory Committee on Improvements to Financial Reporting (CIFI),

issued a Progress Report in February that reiterated their earlier recommendation that XBRL be mandated for public company submissions to EDGAR.

This step would be phased-in and conditional based on successful taxonomy testing, the capacity of reporting companies to file XBRL-tagged financial statements using the new U.S. GAAP taxonomy on the SEC's EDGAR system, and the EDGAR system providing an accurate version of all such tagged information.

After this initial phase-in and the satisfaction of the conditions, the CIFI's proposal calls for the SEC to consider whether and when to move from furnishing to filing of the XBRL-tagged financial statements for large accelerated filers, and the addition of other reporting companies. The CIFI believes that the SEC should be sensitive to the needs of smaller public companies and the need for proven and inexpensive software for them to use.

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