



■ Public Company Financial Executive Briefing ■

FASB No. 167, Amendments to FASB Interpretation No. 46(R)

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By Connie Hui, CPA, Senior Manager — Assurance & Advisory Practice

The Financial Accounting Standards Board released FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167) in June 2009.

Determination of Variable Interest Entities

This Statement amends FASB Interpretation 46(R) (FIN 46(R)) to require an enterprise to perform a comprehensive qualitative analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. This Statement eliminates the quantitative-based risks and rewards calculation approach previously required for under FIN 46(R).

Currently, FIN 46(R) does not require an enterprise "to determine whether an entity with which it is involved is a variable interest entity if it is apparent that the enterprise's interest would not be a significant variable interest and if the enterprise, its related parties, and its de facto agents . . . did not participate significantly in the design or redesign of the entity." SFAS 167 focus on the "power" to direct activities.

As a result of the elimination of the qualifying special-purpose entity concept in FASB Statement No. 166, Accounting for Transfers of Financial Assets, this State-

ment amends FIN 46(R) to require the same analysis be applied to entities previously designed as qualified special-purposed entities under SFAS Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.

This Statement amends certain guidance in FIN 46(R) for determining whether an entity is a variable interest entity. It is possible that application of this revised guidance will change an enterprise's assessment of which entities with which it is involved are variable interest entities.

Reconsideration Events

This Statement also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity while FIN 46(R) required reconsideration only when specific events occurred.

This Statement amends FIN 46(R) to add an additional reconsideration event for determining whether an entity is a variable interest entity when any changes in facts and circumstances occur such that the holders of the equity investment at risk, as a group, lose the power from voting rights or similar rights of those investments to direct

the activities of the entity that most significantly impact the entity's economic performance.

Under FIN 46(R), a troubled debt restructuring as defined in paragraph 2 of FASB Statement No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings, was not an event that required reconsideration of whether an entity is a variable interest entity and whether an enterprise is the primary beneficiary of a variable interest entity. This Statement eliminates that exception.

Disclosures

This Statement also amends FIN 46(R) to require enhanced disclosures that will provide users of financial statements with more transparent information about an enterprise's involvement in a variable interest entity. The enhanced disclosures are required for any enterprise that holds a variable interest in a variable interest entity.

Effective Date

This Statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited.

FOR FURTHER INFORMATION, PLEASE CONTACT ONE OF THE FOLLOWING:

■ Jim Pitrat:

JPitrat@singerlewak.com
310.477.3924
Practice Leader
Assurance & Advisory Practice

■ Gale Moore:

GMoore@singerlewak.com
949.261.8600
Business Combinations Subject Matter Expert
Orange County, San Diego

■ Harmeet Singh:

HSingh@singerlewak.com
408.294.3924
Business Combinations Subject Matter Expert
Los Angeles, Silicon Valley

■ Connie Hui:

CHui@singerlewak.com
310.477.3924
Senior Manager
Assurance & Advisory Practice