

■ Public Company Financial Executive Briefing ■ **FASB Statement No. 165, Subsequent Events**

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On May 28, 2009, the Financial Accounting Standards Board released FASB Statement No. 165, Subsequent Events (FAS 165).

Currently, this principle guidance is only found in auditing literature. The FASB believes such guidance should be directed, hence applied by the Company as well as its auditors. Accordingly, the FASB issued SFAS No. 165. Since majority of the auditing standard has been adopted by the FASB, the adoption of SFAS No. 165 is not expected to result in significant change in practice as it relates to accounting for subsequent events.

Generally, subsequent events is defined as transactions occurring after the balance sheet date but prior to financial statement being issued or available to be issued.

The statement defines financial statements as “issued” when they are widely distributed to shareholders and others for general use and reliance in a form and format that applies with GAAP; “available to be issued” when the financial statements are complete in form and format that complies with GAAP and all approvals necessary for their issuance have been obtained.

This statement applies to subsequent events that may not have been previously

addressed in other generally accepted accounting pronouncements. The objective is to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. This statement defines:

1. The period after the balance sheet date which management is to evaluate events or transactions for recognition or disclosure
2. The circumstances which an entity should recognize events or transactions
3. The disclosures required for events or transactions that occur after the balance sheet date

It specifically identifies two types of subsequent events:

Recognized Subsequent Events – those events or transactions which provide additional evidence of conditions that existed at the balance sheet date

Non-Recognized Subsequent Events – those events which provide evidence about conditions that did not exist at the balance sheet date

The Company should recognize transactions when additional information subse-

quent to the balance sheet date provide additional evidence about conditions that existed as of the balance sheet date. Such as litigation existing at the balance sheet date which was settled subsequent to it. The settlement amount should be recognized at the balance sheet date.

Conditions that did not exist at the balance sheet date but rather that arose after such date are not recognized in the financial statements. Such as business combination, asset purchase, changes in fair value of assets or liabilities.

Subsequent events disclosures include the dates which entities are evaluating events or transactions - whether they are the date the financial statements are issued or available to be issued. The purpose is to alert users that there has been no evaluation subsequent to the disclosed date. Specifically for the non-recognized subsequent events, disclosures of the nature of the event and an estimate of the financial effects of the event or a statement that such an estimate cannot be made.

Effective Date:

This statement is effective for interim and annual periods ending after June 15, 2009.

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