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FASB Amends Guidance on Subsequent Events

SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in originally issued and revised financial statements.¹ This alleviates potential conflicts between the FASB's guidance on subsequent events disclosures and the SEC's filing requirements. SEC filers continue to be required to evaluate subsequent events through the date the financial statements are issued.²

SEC Filers

The new guidance defines the term SEC filer as an entity that is required to file or furnish its financial statements with either the SEC or other agencies as required by Section 12(i) of the Securities Exchange Act of 1934, as amended.³

Conduit Bond Obligors

The FASB clarified that conduit bond obligors for conduit debt securities that are traded in a public market must evaluate subsequent events through the date the financial statements are issued.⁴ The financial statements of these entities are considered issued when the financial statements are widely distributed (e.g., filed on the Electronic Municipal Market Access (EMMA) or posted on the entity's Web site). These entities must also disclose the date through which subsequent events are evaluated and indicate that date is when the financial statements were issued.

All Other Entities

Entities that are neither SEC filers nor conduit bond obligors are required to evaluate subsequent events through the date the financial statements are available to be issued.⁵ The FASB eliminated the need for entities to consider if wide distribution of financial statements is expected. These entities continue to be required to disclose the date through which subsequent events have been evaluated and indicate that date is when the financial statements were available to be issued.

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¹ FASB Accounting Standards Update No. 2010-09, Amendments to Certain Recognition and Disclosure Requirements, February 24, 2010, available at www.fasb.org.

² FASB ASC Section 855-10-20, available at www.fasb.org, says that financial statements are considered issued when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with GAAP.

³ Section 12(i) of the Securities Exchange Act of 1934 requires publicly held banking institutions that are not part of a holding company to make filings that are equivalent to those required by the SEC directly with their primary federal regulators.

⁴ FASB ASC paragraph 855-10-25-1A, available at www.fasb.org, indicates that a public market includes a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets.

⁵ FASB ASC Section 855-10-20, available at www.fasb.org, says financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained.



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Non-public entities whose financial statements are filed or furnished with the SEC to satisfy a registrant's compliance with Regulation S-X, specifically Rules 3-05 and 3-14 (acquired business or real estate operations), Rule 3-09 (investment accounted for under the equity method), and Rule 3-16 (pledged securities that collateralize public debt) must disclose the date through which management has evaluated subsequent events. This must be the date that the financial statements were available to be issued even if it differs from the issuance date of the financial statements of the public entity that filed them with the SEC (i.e., within an annual report on Form 10-K).

Separate financial statements of an entity that guarantees an SEC filer's public debt that are filed to comply with Rule 3-10 of Regulation S-X would not require disclosure of the date through which subsequent events have been evaluated because a guarantor of public debt meets the definition of an issuer under the SEC's rules and regulations (and therefore meets the ASU's definition of an SEC filer).

Revised Financial Statements

The ASU also replaces the term "reissuance" of financial statements with "revised" to avoid conflicts with existing guidance.⁶ The ASU specifies that revised financial statements include financial statements restated to correct an error and financial statements issued to reflect a retrospective application of U.S. GAAP.

For entities other than SEC filers, revised financial statements require disclosure of the dates through which subsequent events have been evaluated in both the issued or available-to-be-issued financial statements and the revised financial statements. For example, if an entity's financial statements are available to be issued on March 15, 2010, and then it subsequently revises the financial statements to reflect a correction of an error on May 17, 2010, both the originally disclosed date (March 15, 2010) and revised financial statement date (May 17, 2010) through which subsequent events have been evaluated should be disclosed. The entity should disclose any material nonrecognized subsequent events between March 15, 2010 and May 17, 2010 in the revised financial statements.

Effective Date

The ASU is effective immediately except for the use of the issued date for conduit bond obligors. That amendment is effective for interim or annual periods ending after June 15, 2010.

The descriptive and summary statements in this newsletter are not intended to be a substitute for the final ASU or any other potential or applicable accounting literature or SEC regulations. Companies applying U.S. GAAP or filing with the SEC should apply the texts of the relevant laws, regulations, and accounting requirements, consider their particular circumstances, and consult their accounting and legal advisors.

⁶ FASB ASC Topic ASC 250, Accounting Changes and Error Corrections, available at www.fasb.org.