



**Board Meeting Handout  
Proposed FSP SOP 90-7-a  
April 16, 2008**

**PURPOSE OF THIS MEETING**

1. The purpose of this meeting is for the Board to consider two issues highlighted in comment letters received on the proposed FASB Staff Position (FSP) SOP 90-7-a, *An Amendment of AICPA Statement of Position 90-7*.

**BACKGROUND**

2. As of April 2, 2008, the staff received six comment letters, which are summarized below:

**Respondent Profile**

<b>Type of Respondent</b>	<b>Number</b>
Total Public Accounting	<b>3</b>
Total Preparers	<b>1</b>
Total Other	<b>2</b>
<b>Total Respondents</b>	<b>6</b>

3. All respondents agreed with the proposed amendment to paragraph 38 of AICPA Statement of Position (SOP) No. 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*. Respondents also highlighted various other issues in their letters.

**ISSUE 1—Early Adoption of Accounting Standards**

4. Several respondents commented that the proposed FSP could be interpreted as precluding a company emerging from bankruptcy from early adopting an accounting principle even if early adoption was permitted by the accounting standard. The staff believes it was the intent of the proposed FSP to allow a company to early adopt accounting standards where

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permitted by the accounting standard and, therefore, recommends that paragraph 6 of the proposed FSP be modified to clarify that intent.

***Question 1—Does the Board agree with the staff’s recommendation?***

**ISSUE 2—Consideration of Additional Revisions**

5. The Association of Insolvency and Restructuring Advisors (AIRA) requested that the Board add financial reporting in bankruptcy to its agenda and to consider the supporting materials submitted to the FASB in April 2006. Other respondents were concerned about a lack of guidance surrounding FASB Statement No. 141(revised 2007), *Business Combinations*. For example, Deloitte provided the following comment:

We encourage the FASB to review SOP 90-7 and to consider potential implementation issues that may result from the interaction of SOP 90-7 and FASB Statement No. 141(R), *Business Combinations*. Statement 141(R) will result in significant changes to the way the acquisition method is applied (previously referred to as purchase accounting). Because the guidance in SOP 90-7 is limited, many have analogized to the accounting requirements in FASB Statement No. 141, *Business Combinations* to fill the gaps....If the FASB is not inclined to comprehensively review SOP 90-7, it would be helpful if the FASB clarified whether, in the absence of guidance in SOP 90-7, an entity should apply the principles in Statement 141 (R) or whether it should continue current practice (applying Statement 141) until the FASB directs otherwise.

6. The staff appreciates respondents’ concerns regarding the lack of guidance on financial reporting in bankruptcy and the desire for Statement 141(R) implementation guidance for those companies applying fresh-start accounting under SOP 90-7; however, the staff believes addressing financial reporting in bankruptcy and comprehensively reviewing SOP 90-7 are not within the scope of this limited-scope project. Therefore, the staff does not recommend revisions to the proposed FSP.

***Question 2—Does the Board agree with the staff’s recommendation to not consider additional revisions to the proposed FSP?***

***Question 3—May the staff proceed to final issuance of the proposed FSP?***