

# Ernst & Young's On Call Advisory Services

## Accounting Alert

Thursday, July 14, 2005

### FASB to Issue FSP 115-1 on Other-Than-Temporary Impairments



At the June 29, 2005 meeting, the Board decided not to provide additional guidance on the meaning of other-than-temporary impairment and directed the staff to issue proposed *FSP EITF 03-1-a, "Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1,"* as final. The final FSP will supersede EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," and EITF Topic No. D-44, "Recognition of Other-Than-Temporary Impairment upon the Planned Sale of a Security Whose Cost Exceeds Fair Value."

The final FSP (retitled FSP FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments") will replace the guidance set forth in paragraphs 10-18 of Issue 03-1 with references to existing other-than-temporary impairment guidance, such as FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, SEC Staff Accounting Bulletin No. 59, *Accounting for Noncurrent Marketable Equity Securities*, and APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*. FSP FAS 115-1 will codify the guidance set forth in EITF Topic D-44 and clarify that an investor should recognize an impairment loss no later than when the impairment is deemed other- than-temporary, even if a decision to sell has not been made.

The Board decided that FSP FAS 115-1 would be effective for other-than-temporary impairment analysis conducted in periods beginning after September 15, 2005. The Board directed the staff to proceed to a draft of a final FSP for vote by written ballot.

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If you have any questions please call your On-Call team or

*Lisa Filomia-Aktas*  
*On-Call Practice Leader*  
*tel: (212) 773-2833*  
*e: lisa.filomia@ey.com*

### ***On-Call Advisory Services Group:***

*Jason Arbuckle (212) 773-1555, Rachna Bahri (212) 773-3857, Mike Baldasaro (212) 773-0874, Jake Blank (212) 773-1589, Michael Brosnan (212) 773-1797, Dana D'Amelio (212) 773-6845, David Heyman (212) 773-7203, Peter Hornecker (212) 773-0227, Karla Johnsen (212) 773-5510, Tim Kane (212) 773-3648, Hee Lee (212) 773-8605, Fredrick Martin (212) 773-4156, James Medeiros, (212) 773-1884, Justin Pak (212) 773-0469, Kevin Reilly (212) 773-2074, Kirk Robinson (212) 773-2713, Peter Rogers (212) 773-0900, Deha Rozanes (212) 773-0731, Kenneth Schwartz (212) 773-6099, Mandy Sagar (212) 773-6425, Paul Sheahen (212) 773-5578, Mike Strong (212) 773-3342, Erik Swanson (212) 773-0532, David Thrope (212) 773-0930, Ron Weissman (212) 773-4905, Ken Wilchfort (212) 773-3414*

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This alert is correct to the best of our knowledge and belief as at the date of this alert. It is, however, written in general terms and professional advice must always be obtained before any action is taken.