

**INTERNATIONAL PRACTICES TASK FORCE**  
**Center for Audit Quality Washington Office**  
**July 27, 2009 Conference Call**  
**HIGHLIGHTS**

The Center for Audit Quality (CAQ) SEC Regulations Committee's International Practices Task Force (the "Task Force") meets periodically with the Staff of the SEC to discuss emerging technical accounting and reporting issues relating to SEC rules and regulations. The purpose of the following highlights is to summarize the issues discussed at the meetings. These highlights have not been considered and acted on by senior technical committees of the AICPA, or by the Financial Accounting Standards Board, and do not represent an official position of either organization. In addition, these highlights are not authoritative positions or interpretations issued by the SEC or its Staff. The highlights were not transcribed by the SEC and have not been considered or acted upon by the SEC or its Staff. Accordingly, these highlights do not constitute an official statement of the views of the Commission or of the Staff of the Commission.

**I. Attendance**

Task Force Members

Paul Curth (Ernst & Young)  
Steven Krohn (KPMG)  
Carol Banford (Grant Thornton)  
Jon Fehleison (KPMG)  
Michael Liesmann (PwC)  
Debra MacLaughlin (BDO)  
Victor Oliveira (Ernst & Young)  
Joel Osness (Deloitte & Touche)  
Catherine Samsel (PricewaterhouseCoopers)  
Sondra Stokes (Deloitte & Touche)

Observers

Jill Davis (SEC Staff Observer)  
Chris Holmes (SEC Regulations Committee Observer)  
Josh Jones (Center for Audit Quality Staff Observer)  
Craig Olinger (SEC Staff Observer)  
Allison Patti (SEC Staff Observer)  
Annette Schumacher Barr (Center for Audit Quality Staff Observer)

**II. Monitoring Inflation in Venezuela**

**Background**

At the May 2009 meeting, the Task Force discussed the highly inflationary status of the Venezuela economy. As of March 2009 (the latest period for which data was available at the time of the meeting), the three year cumulative inflation rate was approximately 95%. Therefore, the Task Force agreed to continue to monitor inflation developments in Venezuela.

**Discussion**

Historically, the Task Force has used the Consumer Price Index (CPI) when considering the inflationary status of the Venezuelan economy. The CPI has existed since 1984. However, the CPI covers only the cities of Caracas and Maracaibo. Using the CPI information, the cumulative three year inflation rates for the period ending June 30, 2009 is 101.14%

Commencing January 1, 2008, the National Consumer Price Index (NCPI) has been developed that covers the entire country of Venezuela. However, inflation data is not available to compute a cumulative three year

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inflation rate for the entire country solely based on the NCPI. If a cumulative three year inflation rate as of June 30, 2009 were calculated using the CPI information for periods before January 1, 2008, and NCPI information for the periods after January 1, 2008, the resulting three cumulative inflation rate (“blended NCPI and CPI rate”) would be approximately 97% for the period ending June 30, 2009.

The Task Force discussed the application of Venezuelan generally accepted accounting principles and understands the application of the Venezuela Federation of Certified Accountants Bulletin VEN-FRS 3 requires that the NCPI, which represents the entire country, be used in determining the cumulative inflation rates for Venezuela statutory purposes.

The International Monetary Fund (“IMF”) website projects estimated inflation of 36.4% and 43.5% for 2009 and 2010, respectively for Venezuela (as of the April 2009 IMF World Economic Outlook report). In addition, the US State Department’s website indicates that inflation for 2009 is expected to be 30% for Venezuela. Certain other sources indicate that inflation is expected to be at least 28% for Venezuela in 2009. If the inflation rate for 2009 exceeds 25%, then the three year cumulative rate of inflation at December 31, 2009 would exceed 100% for Venezuela.

**Conclusion**

The Task Force believes that the definition of a highly inflationary economy should be applied with judgment, consistent with the provisions of SFAS 52. Since the three-year cumulative inflation rate calculated using the CPI exceeds 100% at June 30, 2009, Venezuela could be accounted for as highly inflationary as of July 1, 2009 based on the use of the CPI index. Alternatively, as noted above, the NCPI represents a broad-based measure of general inflation for the entire country of Venezuela, and the Task Force believes NCPI would be an acceptable index under SFAS 52. Using a blended NCPI and CPI rate for the three year period ending June 30, 2009, Venezuela would not be considered highly inflationary as the cumulative inflation rate is less than 100%. The SEC staff would not object to either of these two approaches for computation of the three-year cumulative inflation rate. Registrants should consider the need for relevant disclosures in description of business, risk factors, and MD&A regarding foreign operations in economic environments that either are or trending toward highly inflationary status. The SEC staff noted that a relevant disclosure for registrants with significant operations in Venezuela would be of the inflation index used to determine whether Venezuela is a highly inflationary economy (e.g. the CPI or a blended rate using the NCPI and CPI). When NCPI data is available for the three years ending December 31, 2010 and thereafter, the NCPI should be used to assess the highly inflationary status of Venezuela because it represents a broad-based measure of the general inflation for the entire country of Venezuela.

In addition, if the cumulative three-year blended NCPI and CPI rate exceeds 100% at September 30, 2009, Venezuela would be accounted for as highly inflationary as of October 1, 2009. Based on the historical and forecasted rates of inflation as described above, and absent any unexpected reversals in the inflation trends, the SEC staff would expect registrants to account for Venezuela as a highly inflationary economy for purposes of applying SFAS 52 beginning no later than January 1, 2010.