Amendment to Practice Bulletin 7, Criteria for determining whether collateral for a loan has been in-substance foreclosed; Criteria for determining whether collateral for a loan has been in-substance foreclosed; Practice bulletin, 10

American Institute of Certified Public Accountants. Accounting Standards Executive Committee

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American Institute of Certified Public Accountants. Accounting Standards Executive Committee, "Amendment to Practice Bulletin 7, Criteria for determining whether collateral for a loan has been in-substance foreclosed; Criteria for determining whether collateral for a loan has been in-substance foreclosed; Practice bulletin, 10" (1992). Guides, Handbooks and Manuals. 185.
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Amendment to Practice Bulletin 7, Criteria for Determining Whether Collateral for a Loan Has Been In-Substance Foreclosed

Accounting Standards Executive Committee

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Practice Bulletin 10

Amendment to Practice Bulletin 7,
Criteria for Determining Whether Collateral for a Loan Has Been In-Substance Foreclosed

1. Securities and Exchange Commission (SEC) Financial Reporting Release No. 28 (FRR 28), Accounting for Loan Losses by Registrants Engaged in Lending Activities, issued on December 1, 1986, provides specific guidance for determining whether collateral for a loan has been in-substance foreclosed. FRR 28 applies only to companies required to register with the SEC.

2. In April 1990, the Accounting Standards Executive Committee (AcSEC) issued Practice Bulletin 7, Criteria for Determining Whether Collateral for a Loan Has Been In-Substance Foreclosed, to apply the criteria of FRR 28 to companies that are not required to register with the SEC.

3. The criteria in paragraph 5 of Practice Bulletin 7 are identical to the criteria in FRR 28. However, paragraph 12 of Practice Bulletin 7, which was intended to provide interpretive guidance on the application of part b of the third criterion in paragraph 5, includes wording different from that of part b, resulting in conflicting interpretations of the criterion.

4. Because paragraph 12 may have caused unintended differences in application of the criteria, this practice bulletin amends Practice Bulletin 7 by deleting paragraph 12.
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