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Financial reporting by nonpublic investment partnerships

American Institute of Certified Public Accountants. Investment Companies Committee

STATEMENT OF POSITION 95-2

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Financial Reporting by Nonpublic Investment Partnerships

Prepared by the
AICPA Investment Companies Committee
Accounting Standards Division

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

NOTE

Statements of position of the Accounting Standards Division present the conclusions of at least two-thirds of the Accounting Standards Executive Committee, which is the senior technical body of the Institute authorized to speak for the Institute in the areas of financial accounting and reporting. Statement on Auditing Standards No. 69, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles *in the Independent Auditor's Report,* identifies AICPA statements of position as sources of established accounting principles that an AICPA member should consider if the accounting treatment of a transaction or event is not specified by a pronouncement covered by rule 203 of the AICPA Code of Professional Conduct. In such circumstances, the accounting treatment specified by this statement of position should be used, or the member should be prepared to justify a conclusion that another treatment better presents the substance of the transaction in the circumstances.

1 2 3 4 5 6 7 8 9 0 AccS 9 9 8 7 6 5

Table of Contents

SUMMARY

This statement of position (SOP) applies to financial statements of investment partnerships that are exempt from SEC registration under the Investment Company Act of 1940 (with certain exceptions) prepared in accordance with generally accepted accounting principles (GAAP). It provides guidance on financial statement presentation and disclosure of investments, income, and partners' capital. It requires—

- That financial statements include a condensed schedule of investments in securities.
- Presenting a statement of operations in conformity with the requirements for statements of operations of management investment companies in the Audit and Accounting Guide *Audits of Investment Companies.*
- Presenting in the financial statements management fees and disclosing how they are computed.

This SOP is effective for financial statements issued for fiscal years beginning after December 15, 1994. Earlier application is encouraged.

Financial Reporting by Nonpublic Investment Partnerships

Introduction

1. Investment partnerships are identified as a type of investment company in the AICPA's Audit and Accounting Guide *Audits of Investment Companies* (the Guide). The Guide uses the term *investment company* to mean "*generally*. . .an entity that pools shareholders' funds to provide the shareholders with professional investment management (paragraph 1.01)" [*emphasis added*]. The Guide states that it uses the term to refer to an entity with the attributes described in chapter 1 rather than to conform with the legal definition of an investment company in the federal securities laws.

2. The Guide refers to investment partnerships in chapter 1 (paragraph 1.03):

> Several types of investment companies exist: management investment companies, unit investment trusts,. . . investment partnerships. . . .

3. The Guide also states:

> The accounting principles and auditing procedures discussed in this guide *generally* apply to all investment companies, though the guide has been written *primarily* for auditors of mutual funds and closed-end companies registered with the Securities and Exchange Commission (SEC) under the 1940 Act (paragraph 1.04) [*emphasis added*].
>
> To comply with SEC rules and regulations, registered investment companies must make certain disclosures in addition to those required by generally accepted accounting principles. Those additional requirements are not presented in illustrative financial statements because they are not otherwise required by generally accepted accounting principles (paragraph 5.46).

4. The illustrative financial statements of management investment companies in the Guide contain a detailed schedule of investments.

Scope

5. This SOP applies to investment partnerships that are exempt from SEC registration under the Investment Company Act of 1940 and defined as investment companies in paragraph 1.01 of the Guide, except for the following:

a. Investment partnerships that are brokers and dealers in securities subject to regulation under the Securities Exchange Act of 1934 (registered broker–dealers) and that manage funds only for those who are officers, directors, or employees of the general partner

b. Investment partnerships that are commodity pools subject to regulation under the Commodity Exchange Act of 1974

Investment partnerships identified above as being exempt from the scope of this SOP should comply with the financial reporting requirements in the AICPA audit and accounting guides applicable to such entities.[1] Investment partnerships that are SEC registrants must comply with the financial statement reporting requirements as set forth in the Guide and as required by Articles 6 and 12 of the SEC's Regulation S-X.

Background

6. There has been diversity in practice in the application of certain provisions of the Guide—specifically, the requirement for a schedule of investments, the format of the statement of operations, and the reporting of management fees.

7. *Schedule of Investments.* The Guide requires investment companies to list all of their individual securities in the statement of net assets or in an accompanying schedule of investments. Many nonpublic investment partnerships do not present such a list in their financial statements.

8. *Statement of Operations.* Investment companies present their results of operations in a statement of operations as specified in

[1] *Audits of Brokers and Dealers in Securities* currently specifies requirements for broker–dealers and commodity pools. A revised draft of that Guide has been exposed for comment. In addition, a new Guide that will apply to futures commission merchants and commodity pools is being prepared for comment.

the Guide. The Guide requires separate disclosure of dividends and interest income and of realized and unrealized gains (losses) on securities. Some investment partnerships combine these items and present them as one income-statement caption with no separate disclosure.

9. *Management Fees and Allocations.* Investment companies normally enter into an investment advisory agreement under which they receive investment management. The fee for that service is usually based on a specified percentage of average assets being managed. Some agreements may provide for a performance fee or allocation, which includes the normal fee plus a bonus (or less a penalty) if the company's performance exceeds (or fails to exceed) a preestablished benchmark. Many investment companies reflect such fees, including the bonus portion, as an expense in the statement of operations. If an investment company is organized as a limited partnership, however, the payment may take the form of an allocation of earnings based on a predetermined formula specified in the partnership agreement. In such cases, some investment partnerships reflect this allocation of partnership income through a reallocation of partners' net income from the limited partners to the general partner within the equity section of the statement of assets and liabilities rather than as an expense.

Conclusions

10. *Schedule of Investments.* The financial statements of an investment partnership, when prepared in conformity with GAAP, should, at a minimum, include a condensed schedule of investments in securities owned by the partnership at the close of the most recent period. Such a schedule should do the following.

a. Categorize investments by the following:
   (1) Type (such as common stocks, preferred stocks, convertible securities, fixed-income securities, government securities, options purchased, options written, warrants, futures, loan participations, short sales, other investment companies, and so forth)
   (2) Country or geographic region
   (3) Industry.

Report (i) the percent of net assets that each such category represents and (ii) the total value and cost for each category in (1) and (2).

b. Disclose the name, shares or principal amount, value, and type of the following:

(1) Each investment (including short sales) constituting more than 5 percent of net assets

(2) All investments in any one issuer aggregating more than 5 percent of net assets.

In applying the 5-percent test, total long and total short positions in any one issuer should be considered separately.

c. Aggregate other investments (each of which is 5 percent or less of net assets) without specifically identifying the issuers of such investments, and categorize them as required by paragraph 10*a* above.

11. Investments in other investment companies (investees), such as investment partnerships and limited liability investment companies, should be considered investments in securities for the purpose of applying paragraphs 10*a* and 10*b*, above. If the reporting partnership's proportional share of any security owned by any individual investee exceeds 5 percent of the reporting partnership's net assets at the reporting date, each such security should be named as required in paragraph 10*b* above, and categorized as required in paragraph 10*a* above. If information about the investee's portfolio is not available, that fact shall be disclosed. These investee disclosures should be made either in the condensed schedule of investments (as components of the investment in the investee) or in a note to that schedule.

12. *Statement of Operations.* Investment partnerships should present their statements of operations in conformity with the requirements for statements of operations of management investment companies in paragraphs 5.24 through 5.35 of the Guide, which include, among other things, separate disclosure of dividend income and interest income and realized and unrealized gains (losses) on securities for the period.

13. *Management Fees and Allocations.* Investment companies organized as limited partnerships typically receive advisory services from the general partner. For such services, a number of partnerships pay fees chargeable as expenses to the partnership, whereas others allocate net income from the limited partners' capital accounts to the general partner's capital account, and still others employ a combination

of the two methods. The amounts of any such payments or allocations should be presented in either the statement of operations or the statement of changes in partners' capital, and the method of computing such payments or allocations should be described in the notes to the financial statements.

Effective Date

14. This SOP is effective for financial statements issued for fiscal years beginning after December 15, 1994. Earlier application is encouraged but not required.

Basis for Conclusions

15. This section discusses considerations that were deemed significant by members of the Accounting Standards Executive Committee (AcSEC) in reaching the conclusions in this SOP. It includes reasons for accepting certain views and rejecting others. Individual AcSEC members gave greater weight to some factors than to others.

16. Practice is diverse in applying the Guide's requirements to investment partnerships. Nevertheless, AcSEC believes that the Guide should apply, except for the requirement to present a detailed schedule of investments, to investment partnerships of all kinds, including hedge funds, limited liability companies, and limited duration companies. The Guide includes investment partnerships in its definition of investment companies. Paragraph 1.04 indicates that its principles and procedures ". . . *generally* apply to all investment companies, though the guide has been written *primarily* for auditors of mutual funds. . .under the 1940 Act" [*emphasis added*]. AcSEC agrees that some of the SEC Regulation S-X and 1940 Act requirements may not apply to nonpublic investment partnerships. AcSEC believes that the disclosure of material information, such as condensed information about the investment portfolio, dividend income, interest income, realized and unrealized gains or losses, and activities in partners' capital accounts, should be required for a fair presentation of financial statements of investment partnerships.

17. *Schedule of Investments.* Disclosure should provide financial statement users with information that aids decision making. FASB Statement of Financial Accounting Concepts No. 2, *Qualitative*

Characteristics of Accounting Information, states in paragraph 40 that, "the benefits of information may be increased by making it more understandable and, hence, useful to a wider circle of users." The Guide requires a complete listing of investments consistent with the SEC's disclosure requirements. This SOP requires nonpublic investment partnerships to present at least a condensed schedule of investments in which investments are organized by type, focusing on geographic and industry concentrations, and requires that material investments (more than 5 percent of net assets) in any one investee be disclosed separately.[2] AcSEC concluded that a complete list of all investments that individually represents an immaterial portion of the investment portfolio would present little additional information that is of value to users of nonpublic investment partnerships' financial statements. The condensed disclosures required by this SOP of the types of investments, the geographical and industry concentrations, and the significant investees are informative to users without burdening them with unnecessary details. AcSEC believes this presentation will enable users to make their decisions focusing on the risk and opportunities associated with the type of investment, a geographical area, and industry by investee.

18. The Investment Company Act of 1940 and the Internal Revenue Code define investment portfolio diversification to exclude, for certain purposes, securities whose values represent more than 5 percent of the total value of an investment company's assets. The implication of those definitions is that investment concentrations above 5 percent impose a level of risk that requires special consideration. After reviewing the comments to the exposure draft, AcSEC concluded that a 5 percent of net assets criterion should be included as a requirement of this SOP. Net assets (instead of total assets) was chosen because net asset value is the focus of investment company financial reporting.

19. AcSEC recognizes that the 5 percent of net assets criterion for reporting separate investments is arbitrary. Accounting, however, contains many arbitrary disclosure criteria.

[2] AcSEC has not reconsidered the Guide's disclosure requirements for public investment partnerships. Further, AsSEC does not have the authority to amend SEC requirements concerning disclosures in filings with the SEC.

20. *Statement of Operations.* Because the operations of public (SEC registered) investment companies and nonpublic investment partnerships are similar (they both invest in securities to generate dividend income, interest income, and realized or unrealized gains), AcSEC concluded that investment partnerships' statements of operations should be presented in conformity with the Guide as required by paragraph 12 above.

21. *Management Fees and Allocations.* A number of partnerships record an expense for fees due the general partner, a number allocate net income from the limited partners' capital accounts to the general partner's capital account, and others combine the two methods. Typically, accounting for such arrangements is based on the partnership agreement that specifies the fee or allocation arrangement. In a typical limited investment partnership agreement, the general partner is entitled to a fixed advisory or management fee (such as one percent of net assets), plus an allocation of profits (such as 20 percent of net realized and unrealized gains). Public investment companies or public partnerships normally do not have incentive arrangements, but if they do, they are generally limited to an amount that does not exceed one percent of net assets. The relatively material allocation of profits provided for in nonpublic partnership agreements may be considered either a disproportionate partnership income allocation, based on the fact that the general partner has incurred material cost and effort in organizing the partnership, managing the partnership, and incurred disproportionate risk as the general partner (that is, unlimited personal liability), or a compensation arrangement. Although AcSEC recognizes that issuing definitive standards is desirable, it believes that this SOP cannot provide definitive guidance on accounting for payments to general partners because such guidance would have to result from deliberation of broader partnership issues. AcSEC therefore concluded that the accounting should conform to the structure of the partnership agreement, with the financial statement disclosures set forth in paragraph 13 of this SOP.

APPENDIX A

Condensed Schedule of Investments

The following is an illustration of how to apply the SOP.* However, it does not address all possible circumstances that may arise in applying the SOP.

ABC Associates, Ltd.
Condensed Schedule of Investments
December 31, 199X

Shares		*Value*
	COMMON STOCKS (54.9%)	
	United States (33.8%)	
	Airlines (7.2%)	
53,125	Flight Airlines, Inc. (3.6%)†	$ 1,811,297
	Other (3.6%)	1,819,074
		3,630,371
	Banks (1.9%)	937,099
	Financial Services (2.9%)	1,433,210
	Foods (7.1%)	
106,607	Andrews Midlands Co. (5.7%)	2,825,078
	Other (1.4%)	702,824
		3,527,902
	Hospital Supplies and Services (5.6%)	
100,404	Chelsea Clinics Inc.	2,811,297
	Technology (4.1%)	2,039,578
	Utilities (5.0%)	2,480,556
	Total United States (cost $16,850,954)	16,860,013
	Hong Kong (5.7%)	
	Drugs (0.6%)	330,741
	Retail (4.0%)	1,984,445
	Utility—Telephone (1.1%)	552,235
	Total Hong Kong (cost $2,756,959)	2,867,421
	Italy (5.6%)	
	Airlines (0.2%)	110,247
	Financial Services (1.8%)	881,975
	Leisure Related (3.5%)	1,763,951
	Office Supplies (0.1%)	55,123
	Total Italy (cost $2,912,465)	2,811,296
	Spain (5.4%)	
	Banks (2.4%)	1,212,716
	Oil (1.7%)	826,852
	Railroads (1.3%)	661,482
	Total Spain (cost $2,643,197)	2,701,050
	United Kingdom (4.4%)	
	Financial Services (2.3%)	1,157,593
	Technology (2.1%)	1,047,346
	Total United Kingdom (cost $2,145,246)	2,204,939
	TOTAL COMMON STOCKS (cost $27,308,821)	27,444,719

The accompanying notes are an integral part of these financial statements.

*Percent of net assets is shown for each category; net assets are assumed to be $50,000,000 for this illustration.

† Securities of Flight Airlines, Inc., aggregate 5.6 percent of net assets of ABC Associates, Ltd.

ABC Associates, Ltd.
Condensed Schedule of Investments
December 31, 199X
(continued)

Shares or Principal Amount		*Value*
	LONG-TERM DEBT SECURITIES (41.3%)	
	United States (21.4%)	
	Airlines (2.0%)	
$ 1,000,000	Flight Airlines, Inc. 12%, 1998†	$ 1,000,000
	Government (19.4%)	
$ 3,000,000	U.S. Treasury Bonds, 7.875%, 2021	3,031,791
$ 6,600,000	U.S. Treasury Bonds, 6.875%–8.125% 1999–2021	6,686,175
		9,717,966
	Total United States (cost $15,015,200)	10,717,966
	Spain (19.8%)	
$10,000,000	Spanish Treasury Bonds 4.50%–5.125%, 1994–1997 (cost $10,000,000)	9,922,224
	TOTAL LONG-TERM DEBT SECURITIES (cost $25,015,200)	20,640,190
	(The following investments are all in United States enterprises.)	
	LONG PUT AND CALL OPTIONS (2.4%) (cost $1,225,800)	1,212,716
	LOAN PARTICIPATIONS (1.3%) (cost $465,000)	661,482
	WARRANTS (2.2%) (cost $1,110,247)	1,110,247
	INTEREST IN INVESTMENT PARTNERSHIP (10.0%) (cost $4,000,000) XYZ Hedge Fund, L.P. (35% owned)‡	5,000,000
	(XYZ Hedge Fund L.P. owns 6,000 shares, valued at $9,000,000 of Leisure Cruises, Inc., which is a United States company in the leisure time industry.)	
	TOTAL INVESTMENTS (112.1%) (cost $59,125,068)	$56,069,354
	SECURITIES SOLD SHORT (5.7%)	
106,607	Andrews Midlands Co. (Proceeds $2,715,000)	($ 2,825,078)

The accompanying notes are an integral part of these financial statements.

†Securities of Flight Airlines, Inc., aggregate 5.6 percent of net assets of ABC Associates, Ltd.

‡Leisure Cruises, Inc., is named because the proportionate share of ABC Associates, Ltd., equity in it is greater than 5 percent of ABC's net assets. If information about the investments of XYZ was not available, that would have been stated either parenthetically or in a note to this schedule.

APPENDIX B

Discussion of Comments Received on the Exposure Draft

B-1. An exposure draft of a proposed statement of position, *Financial Reporting for Investment Partnerships,* was issued for public comment in September 1993 and distributed to a variety of interested parties to encourage comments by those that would be affected by the proposal. It proposed that investment partnerships—

- Include a detailed schedule of investments in securities, as illustrated in the Guide for management investment companies, with GAAP financial statements.
- Present a statement of operations in the format illustrated in the Guide.
- Account for performance fees in accordance with partnership agreements and disclose the amounts of and how such fees are computed.

B-2. The exposure draft included the minority view of AcSEC that a condensed schedule of investments, which was illustrated, be required instead of a detailed schedule of investments, as required by the Guide.

B-3. Sixty-nine comment letters on the exposure draft were received. The most significant and pervasive comments received related to the proposed requirement that investment partnerships include a detailed schedule of investments with their financial statements. For the reasons stated in paragraphs 17 through 19 of this SOP, AcSEC agreed that the condensed schedule of investments provided more meaningful information.

Schedule of Investments

B-4. Most respondents to the exposure draft stated that detailed disclosures about the investment portfolio would reveal information, such as trading strategies, that is considered to be confidential. They believe that reporting either detailed or condensed information publicly could be detrimental economically to partnership investors. AcSEC noted that in the absence of any portfolio information, financial statements might merely present a single asset line item titled "investments" that would approximate total assets. Such limited disclosure would undermine the meaningfulness of financial statements.

B-5. Others expressed the view that basic financial statements should provide meaningful summarized information rather than a complete listing of all items included in a particular financial statement caption, such as investments in securities. They pointed out that other financial enterprises, such as banks, property and liability insurance companies, stock life insurance companies, and broker–dealers do not disclose their investments in a similar level of detail. AcSEC concluded that a condensed schedule of investments, that includes disclosures of material investments, would provide sufficient information about the composition of partnerships' portfolios.

B-6. Many respondents stated that investment strategies must be kept confidential to achieve the best results for investors. They expressed concern about disclosing information that they deem to be confidential trade secrets, which might lead other investment firms to "piggyback" the reporting partnership's positions.

B-7. Although AcSEC recognizes the need to balance a fair presentation with protection of proprietary information, complete confidentiality of investments is not a compelling reason for excluding information on material items from financial statements. AcSEC acknowledges that disclosure can produce certain detriments, but AcSEC believes that the need for adequate disclosure outweighs the possibility of negative results. Furthermore, as noted by several respondents, although the disclosure of investment positions may be detrimental to some funds that have material short positions outstanding at a reporting date, many such positions will have expired or will have been covered before the availability of the financial statements.

B-8. *Investor Expectations and Needs.* Respondents noted that investors in investment partnerships frequently are sophisticated investors with a high net worth who neither need nor expect the type of reporting required of mutual funds. Additionally, a number noted that partnership agreements provide for partner access to records, thus enabling a partner to obtain additional information if necessary, whereas others noted that partners sometimes agree not to seek such information.

B-9. AcSEC acknowledges that many, but not necessarily all, investment partners are sophisticated investors, but believes their need for financial information is difficult to differentiate from that of less sophisticated investors. How to assess financial statement users' needs is a pervasive issue in formulating accounting standards and is considered in AcSEC and FASB deliberations. Further, it is questionable whether investment partnerships can be distinguished from other investment companies based on the sophistication of their investors because some public investment companies registered under the 1940 Act—

a. Can engage in similar trading strategies, such as hedging and investing in derivatives.

b. Have sophisticated investors.

c. Have minimum investment levels equal to or in excess of those called for by some nonpublic investment partnerships.

B-10. An investor's willingness to take increased risk in return for an expected higher return does not necessarily equate to a lack of desire for information about an investment company's investments. In the absence of any portfolio information, financial statements might merely present a single asset line item titled "investments" that would approximate total assets. Such limited disclosure would undermine the meaningfulness of financial statements.

B-11. *Cost.* A number of respondents addressed the issue of cost benefit in terms of their belief that including either a detailed or condensed schedule of investments with financial statements would jeopardize the confidentiality required to protect their trading strategies and the gains that they engender. They mentioned, as consequences, that others could mimic their strategies or even devise strategies to profit at the expense of an investment partnership, such as in a short squeeze. AcSEC acknowledges that disclosure of condensed schedules of investments may be detrimental in certain cases. Nevertheless, AcSEC believes that reporting basic information about investments is vital for a fair presentation of investment partnerships' financial statements.

B-12. Other respondents expressed a belief that the incremental cost to assemble, present, and audit the investment information would not be outweighed by the benefits of the disclosures. AcSEC believes that such costs should not be material because much of the information required appears to be readily available.

Statement of Operations and Partners' Fees and Allocations

B-13. Most respondents directed their comments to the proposed requirement for investment partnerships to present a schedule of investments, as discussed above. Comments on the proposed statement of operations and partners' fees and allocations were as follows:

- Most respondents who expressed opinions on the proposed statement of operations supported it, but a number objected to it because they believe that the format is appropriate for public mutual funds, but not for nonpublic investment partnerships. One commentator suggested imposing a uniform requirement for both broker–dealers and investment companies, and another suggested a different format altogether.

- A number of respondents who expressed opinions on reporting partners' fees and allocations supported the proposed reporting, and most of the remainder recommended that one or the other accounting method be required, although most did not state a preference for one method or another.

B-14. AcSEC has decided not to make any significant changes to those requirements proposed in the exposure draft. AcSEC believes that because both public (SEC registered) investment companies and nonpublic investment partnerships have similar operations, their statements of operations should also be similar. Although AcSEC recognizes that issuing definitive standards is desirable, it continues to believe that this SOP cannot provide definitive guidance on accounting for payments to general partners because such guidance would have to result from deliberations of broader partnership accounting issues.

Regulatory Considerations

B-15. *Broker–Dealer Requirements.* The financial statements of broker–dealers need not include a detailed or condensed schedule of investments or a separate disclosure of realized and unrealized gains (losses). In the AICPA's Audit and Accounting Guide *Audits of Brokers and Dealers in Securities,* securities brokers and dealers are described as follows (paragraph 1.01):

> Brokers, acting in an agency capacity, buy and sell securities and commodities for their customers and charge a commission. Dealers or traders, acting in a principal capacity, buy and sell for their own account and trade with customers and other dealers.

B-16. Representatives of the broker–dealer industry have expressed the view that investment partnerships that are registered as broker–dealers and that manage funds only for directors, officers, or employees of the partnership's general partner, should be permitted to follow broker–dealer accounting, which does not require the presentation of a schedule of investments. They point out that such investment partnerships are registered as broker–dealers to more readily obtain credit to invest on behalf of the broker–dealers' owners or employees, who are defined as "affiliated persons" by the Securities Exchange Act of 1934. Because those investment partnerships are registered broker–dealers, they are required to prepare financial statements filed with the SEC the way that broker–dealers are. Such financial statements comply with the format for broker–dealers specified in the Audit and Accounting Guide *Audits of*

Brokers and Dealers in Securities. Were such entities required to apply the requirements in this SOP, they would have to prepare financial statements using two different formats: those in the broker–dealer Guide and those specified by this SOP.

B-17. AcSEC believes that investment partnerships that are registered broker–dealers and that invest funds only for directors, officers, or employees of a partnership's general partner should be exempt from the requirements of this SOP. GAAP for broker–dealers is set forth in the broker–dealer Guide, and such partners can readily obtain the information that a condensed schedule of investments and a statement of operations in the format of an investment company would afford them.

B-18. *Commodity Pool Requirements.* Some investment partnerships are registered with the Commodity Futures Trading Commission (CFTC) as commodity pool operators and, as such, are required by the CFTC to file financial statements that are prepared in conformity with GAAP. Commentators recommend that such entities be exempt from the scope of the SOP because—

a. A detailed or condensed schedule of investments may not be meaningful and may even be misleading because of the volatility of most commodity portfolios.

b. The format of the statement of operations currently in use for commodity pools is more meaningful than that proposed in the SOP.

c. The Chief Accountant of the CFTC Division of Trading and Markets has issued an interpretation on how to report allocations of investment partnership equity or other interests to general partners in financial statements filed with the CFTC. That interpretation requires that such allocations be reported in the statement of operations immediately after net income and, as such, is consistent with the conclusions in this SOP.

B-19. In addition to the foregoing, AcSEC notes that an AICPA task force is drafting an audit and accounting guide that will apply to commodity pools, including investment partnerships that are commodity pools. Accordingly, AcSEC has exempted from the scope of this SOP investment partnerships that are commodity pools subject to regulation under the Commodity Exchange Act of 1974.

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