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Conforming Changes to Certain AICPA Statements of Position and Practice Bulletins, February 1996

American Institute of Certified Public Accountants. Accounting Standards Executive Committee

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**CONFORMING CHANGES TO CERTAIN AICPA STATEMENTS OF
POSITION AND PRACTICE BULLETINS**

Prepared by the AICPA's Accounting Standards Executive Committee

February 1996

CONFORMING CHANGES

Introduction

1. This document identifies conforming changes to rescind and amend certain statements of position (SOP) and practice bulletins (PB) affected by recently issued FASB authoritative literature, and it documents changes to existing SOPs and PBs that are not stated explicitly in any authoritative guidance.
2. For pronouncements that this document does not rescind in their entirety, this document rescinds or amends only official guidance sections. For purposes of making conforming changes, official guidance sections include: conclusion, scope, effective date and transition, examples or illustrations, and glossary paragraphs. The AICPA's Accounting Standards Executive Committee (AcSEC) believes that introduction, background information, and basis for conclusions paragraphs provide historical information that should **not** be altered.
3. The rescissions and amendments identified in this document do not duplicate rescissions and amendments formally documented in SOPs, audit and accounting guides, PBs, or the AICPA's looseleaf service.

Conforming Changes

4. Following are conforming changes to SOPs and PBs:
- A. SOP 75-2, *Accounting Practices of Real Estate Investment Trusts*.
- (1) Paragraphs 8-29, 29A-29C (section added by SOP 78-2), 39-46, 53-55, and all related footnotes are rescinded (effectively superseded by paragraphs 8-16 of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, paragraph 24 of FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and paragraphs 8-10 of FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*).
- (2) Paragraphs 30-38 and paragraphs 47-52, titled *Discontinuance of Interest Revenue Recognition and Operating Support of the REIT by the Advisor*, respectively, remain effective.
- B. SOP 76-3, *Accounting Practices for Certain Employee Stock Ownership Plans*. Paragraph 15 of SOP 76-3 and the related footnote 6 is deleted (effectively superseded by FASB Statement No. 109, *Accounting for Income Taxes*).
- C. SOP 78-2, *Accounting Practices of Real Estate Investment Trusts*. SOP 78-2, an amendment to SOP 75-2, is rescinded (effectively superseded by paragraphs 8-16 of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, and paragraph 24 of FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*).

D. SOP 78-9, *Accounting for Investments in Real Estate Ventures*.

- (1) In the last sentence of paragraph 5, the reference to FASB Statement No. 12 is amended to reference FASB Statement No. 115.
- (2) The last two sentences of paragraph 6 and the last sentence of paragraph 8, which refer to APB Opinion 11, are replaced by the following:

Differences between the investor's tax basis of the investment and the reported amount of the investment in the financial statements of the investor that will result in taxable or deductible amounts in future years (temporary differences) should be accounted for in conformity with FASB Statement No. 109, Accounting for Income Taxes.

- (3) Paragraph 13, titled *Statement of Changes in Financial Position*, is replaced by the following:

Statement of Cash Flows

FASB Statement No. 95, Statement of Cash Flows, governs the form and content of statements of cash flows.

- (4) Paragraph 20 is effectively amended by FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, and by FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, and is replaced by the following:

A loss in value of an investment other than a temporary decline should be recognized. Such a loss in value may be indicated, for example, by a decision by other investors to cease providing support or reduce their financial commitment to the venture. Loans and advances should be evaluated under FASB Statement No. 114.

- (5) Paragraph 35 is deleted (effectively superseded by FASB Statement No. 34, *Capitalization of Interest Cost*).

- (6) Paragraph 40 is deleted (effectively superseded by FASB Statement No. 66, *Accounting for Sales of Real Estate*).
- E. SOP 82-1, *Accounting and Financial Reporting for Personal Financial Statements*. In footnote 3, the reference to paragraphs 1.30-1.36 of the AICPA Industry Audit Guide, *Audits of Investment Companies*, is amended to reference the topic titled "basic methods of valuing securities" in the AICPA Industry Audit and Accounting Guide, *Audits of Investment Companies*.
- F. SOP 90-11, *Disclosure of Certain Information by Financial Institutions About Debt Securities Held as Assets*. SOP 90-11 is rescinded (effectively superseded by paragraphs 19-22 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*).
- G. SOP 93-7, *Reporting on Advertising Costs*. Footnote 8 (referenced in paragraph 48) is deleted.
- H. SOP 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Paragraph 19 is replaced by the following
- Paragraph 5 of FASB Statement No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of, provides examples of events or changes in circumstances that indicate that the recoverability of the carrying amount of an asset should be assessed.*

In addition, footnote 10 is deleted.

- I. PB 1, *Purpose and Scope of AcSEC Practice Bulletins and Procedures for Their Issuance*.
- (1) Exhibit A, *ACRS Lives and GAAP*. In the last sentence of the last paragraph, timing is changed to temporary, and the reference to APB Opinion Nos. 1 and 11 is amended to reference FASB Statement No. 109, *Accounting for Income Taxes*.
- (2) Exhibit F, *Accounting and Disclosures for Reinsurance Transactions*. Exhibit F is rescinded (effectively superseded by FASB Statement No. 113, *Accounting and*

Reporting for Reinsurance of Short-Duration and Long-Duration Contracts).

- (3) Exhibit I, *ADC Arrangements*. In paragraph 16.b.1, the reference to the AICPA Audit and Accounting Guide, *Savings and Loan Associations*, is amended to reference *Audits of Savings Institutions*. The related footnote 4 is deleted.
- J. PB 5, *Income Recognition on Loans to Financially Troubled Countries*.
- (1) In paragraphs 5 and 7, the reference to paragraph 6 is deleted.
 - (2) Paragraph 6 is deleted (effectively superseded by paragraph 8 of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*).
- K. PB 9, *Disclosures of Fronting Arrangements by Fronting Companies*. PB 9 is rescinded (effectively superseded by Statement No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*).