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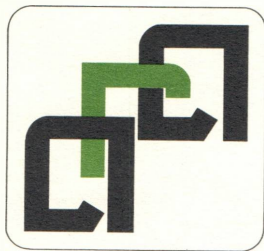


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Accounting Research Association

newsletter

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, 666 FIFTH AVE., NEW YORK, N.Y. 10019

Volume I, No. 1

January 30, 1968

Where We Stand: With 2,192 practice units and individual members in the fold, and with more than three hundred thousand dollars in the bank, the infant Accounting Research Association is on its way. Thanks for your support and welcome to ARA!

This issue is merely a summary of research projects in process. Future issues, published as needed, will bring timely news about all research activities having a significant impact on practice.

An Inventory of Accounting Research Projects: The Accounting Research Division (ARD) under the direction of Reed K. Storey, CPA, has eleven studies in progress. Two are nearing completion, three are undergoing draft revisions, one is in the early stages of an initial draft, and five others are in the preliminary research stage.

The first of the studies nearing completion is Accounting for Goodwill and Business Combinations by George R. Catlett and Norman O. Olsen, partners of Arthur Andersen & Co., which considers the nature of goodwill and makes recommendations for appropriate accounting procedures. The second is Financial Reporting in the Extractive Industries by Robert E. Field, a partner of Price Waterhouse & Co.

Studies in the draft stage are:

1. Accounting for Research & Development Expenditures by Haskins & Sells' partners, Oscar S. Gellein and Maurice S. Newman.
2. Foreign Operations, a study initiated by the late Professor Samuel R. Hepworth of the University of Michigan, and uncompleted at his death, is being completed by Leonard Lorensen, CPA, of the ARD staff.
3. Intercorporate Investments, another study initiated by Professor Hepworth, is being completed by Mr. Storey.
4. Stockholders Equity, dealing with accounting for equity transactions, and classification and presentation of stockholders' equity in the balance sheet, by Beatrice Melcher, CPA, of the ARD staff.

The authors of all the projects above have the benefit of the counsel and guidance of advisory committees of persons having knowledge of the subject area covered.

Preliminary research is being conducted on the following studies: The Concept of Materiality by Kenneth W. Stringer, partner of Haskins & Sells; Working Capital

(continued)

by Loyd C. Heath, Ph.D., of the ARD staff; Contingency Reserves by Thomas W. McRae, CPA, also of the ARD staff. Still to be assigned are studies on Asset and Liability Valuation and Periodic Income Measurement and International Accounting Problems.

The APB in 1968: Thirteen subcommittees were appointed by Chairman Heimbucher at the Board's January meeting and were assigned to specific projects according to priorities determined by the planning subcommittee. The Board will continue to meet every six weeks to keep its program on schedule.

Top priority will be given to investment credit and convertible and participating securities -- on which the Board has announced its intention to issue Opinions during 1968. (See APB Opinions 11 and 12). Also high on its agenda is business combinations and goodwill, which, as mentioned earlier, is the subject of a research study and is expected to generate intense discussion within the profession and the business community.

Major attention is also expected to be focused on changes in accounting methods (should they be applied prospectively? retroactively? currently?), reporting by diversified companies (conglomerates), and financial statements reflecting the effects of price-level changes.

The concept of Substantial Authoritative Support and the Fundamentals of Financial Accounting are slated for comprehensive study and analysis in 1968.

In the pipeline for future consideration by the Board: Leases (the relationship of APB Opinions 5 and 7), public utilities (effect of rate regulation on accounting), interim financial statements and extractive industries.

Important New Service in 1968: A looseleaf edition of Accounting Research Bulletins 43-51 and the APB Opinions and Statements will be published early in 1968. It will consist of two volumes. The first volume will contain the ARBs and APB Opinions and Statements as revised to date, and organized by broad subjects. A comprehensive subject index will be an essential feature of this volume. The second volume will be a reprint, in looseleaf form and in chronological order, of the pronouncements as they were originally issued. This volume will also include the Accounting Terminology Bulletins issued during the 1950s. The service will be sold on a subscription basis which provides for keeping it up to date over a three-year period.

New Auditing Research Program Proposed: J. C. Burton, CPA, Associate Professor of Accounting at New York's Columbia University, is working on a prospectus for a major research project in basic auditing theory. The prospectus is scheduled for completion in early March, 1968. It was undertaken because of the recognized need for a theoretical base and supporting authoritative literature in the area of auditing practice. If approved, the research project called for in the prospectus will be carried out during 1968-69.