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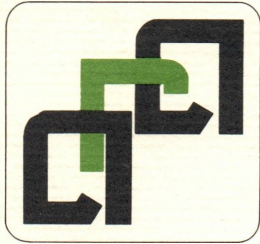


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Accounting Research Association

newsletter

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

Volume I, No. 3

May 31, 1968

American Bankers Association Renounces Bank Audit Guide: Recently the President of the ABA announced for publication (New York Times, Saturday, May 18, 1968) that the Association, as a body, would refuse to adhere to the generally accepted accounting principles recommended in Audits of Banks (ARA Newsletter, March 20, 1968), even if this resulted in qualified opinions by CPAs on bank financial statements.

APB Supports Bank Audit Guide with Proposed Opinion: At its April 25-27 meeting in Florida, the Accounting Principles Board approved a proposed Opinion for exposure, which in effect, would amend Opinion 9, paragraph 6, to require banks to comply with Opinion 9. The Board's tentative conclusion, as stated in the exposure draft, follows:

The Board believes the income statement format recommended in Audits of Banks conforms with the principles of income statement presentation which are set forth in APB Opinion 9. Accordingly, the last two sentences of paragraph 6 of APB Opinion 9 are deleted and such Opinion is therefore applicable to financial statements issued by commercial banks for fiscal periods beginning after December 31, 1968.

The exposure draft has been distributed, with the deadline for comments set for August 9, 1968. The full text of the exposure draft will appear in the June issue of The Journal of Accountancy. Comments on the proposal are invited and should be submitted to Richard C. Lytle, Administrative Director, APB of the Institute, no later than August 9, 1968.

Point Outlines on a Number of Subjects Discussed in Depth: Convertible securities, accounting changes and leases (relationship between Opinions 5 and 7) were discussed extensively by the Board in point outline form at its meeting. The point outline technique has been most effective in focusing attention of the Board on major issues in subjects under consideration, and has hastened the expression of members' views "in principle" for the guidance of the subcommittee in preparing the first draft of proposed Opinions. At the April meeting, a subcommittee charged with the development of an Opinion on Basic Concepts and Broad Principles Underlying Financial Statements of Business Enterprises presented an oral and visual explanation of its work to date and summarized the major points of the proposed Opinion. In the words of the subcommittee - "This Opinion is, therefore, intended to serve two broad purposes, one developmental and the other

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educational. It provides an authoritative basis for evaluating present practices, for solving present and future accounting problems, and for guiding the course of future development of financial accounting."

(Note: Copies of proposed APB Opinions are not made available until the Board approves distribution of exposure drafts to interested persons and groups for comment.)

New Chairman and Members of Board Elected by AICPA Council: Made necessary by the resignations (effective April 30) of Chairman Clifford V. Heimbucher and two members of the Board, the AICPA Council elected the following replacements on May 1, 1968:

LeRoy Layton, a member of the Board since 1963, was elevated to Chairman. Mr. Layton is executive partner of Main Lafrentz & Co. with headquarters in New York City. He is a graduate of Drexel Institute of Technology with a BS degree in Commerce and is now a member of the Board of Trustees of his alma mater. He is a member of the Pennsylvania Institute of CPAs as well as the New York Society of CPAs and the AICPA. Mr. Layton has long been active in business, civic and youth organizations and is a past District Governor of the National Exchange Club. He is the recipient of the A. J. Drexel Paul Award from Drexel Institute.

Louis M. Kessler, elected as a member, graduated from the University of Illinois and has completed all the requirements for the PhD degree. Currently managing partner of the New York office of Alexander Grant & Company, he is a member of the Illinois and Texas Societies of CPAs, as well as of the AICPA. He is presently a member at large of the AICPA Council and has served on numerous committees including chairmanship of the committee on education, board of examiners and the Trial Board. He has also served as chairman of the Illinois Board of Examiners.

J. S. Seidman, elected as a member, holds a BCS and BS from New York University, LLB from Fordham University, and LLM from St. Lawrence University. A past president of the American Institute of CPAs and the New York Society, Mr. Seidman has served as chairman of the committee on federal taxation, long-range objectives, and the special committee on Opinions of the APB. A prolific writer and speaker Mr. Seidman has received the AICPA distinguished service gold medal award. He is senior partner of Seidman & Seidman in New York.

George C. Watt, elected as a member, received a BS degree from the University of Pittsburgh and completed the executive program at Columbia University. He is a member of the Pennsylvania Institute and the New York Society of CPAs and has served on the AICPA committee on auditing procedure. He is currently research partner of Price Waterhouse & Co. and is now serving as a member of the Research Planning Committee of NAA of which he was once a national director. Mr. Watt is the author of numerous articles published in professional journals and is active in civic affairs.

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Loose-leaf Edition of APB Announcements is Now Available: As indicated in the January 30, 1968 ARA Newsletter, the loose-leaf service of APB pronouncements and those of its predecessor, the committee on accounting procedure, will be made available soon to AICPA members by Commerce Clearing House, Inc. Look for the insert in the May, 1968 issue of The CPA which will contain a full description of the loose-leaf service and an order form. The price for a three year subscription will be \$35.00 for AICPA members only. Paperbound volumes, giving effect to changes as of May 1, 1968, will also be available to AICPA members only at \$8.00. (The normal AICPA discounts apply to quantity purchases of these volumes.)

Savoie Addresses West Coast Meeting of NICB: On May 15 Executive V.P. Leonard M. Savoie was the luncheon speaker at a conference of the National Industrial Conference Board in San Francisco. Before a gathering of 300 prominent industrialists and businessmen, Mr. Savoie's straight-from-the-shoulder talk entitled, Financial Communication -- The Public's Right to Know, urged businessmen to eliminate unwarranted differences in corporate accounting practices in order to make financial reporting more useful to the investing public. Management was also urged to close the "reporting gap" in providing information to stockholders that may be inconsistent with the audited financial statements. Mr. Savoie closed his talk with a request for continuing and growing support by business and industry of the accounting profession's efforts to improve financial reporting for the benefit of free enterprise and society as a whole.

Audits of Personal Financial Statements due in July: This booklet, prepared by the AICPA committee on personal financial statements, is now at the printers and will be ready for distribution at the end of June. It provides guidance to independent auditors in examining and reporting on personal financial statements of an individual or group of individuals.

Status of Statements on Auditing Procedure and Audit Guides Clarified: At its meeting in Florida, April 26, 1968, the AICPA Executive Committee approved the following statements in relation to these important subjects:

"Statements on Auditing Procedure present the considered opinion of the Committee on Auditing Procedure, which is the senior technical committee of the Institute designated to issue pronouncements on auditing matters. Departures from the committee's recommendations must be justified by those who do not follow them."

"This audit guide is published for the guidance of members of the Institute in examining and reporting on financial statements of (the industry covered). It represents the considered opinion of the committee on _____, and as such contains the best thought of the profession as to the best practices in the industry. Members should be aware that they may be called upon to justify departures from the committee's recommendations."

