

University of Mississippi

eGrove

---

Newsletters

American Institute of Certified Public  
Accountants (AICPA) Historical Collection

---

1968

## Accounting Research Association Newsletter, Volume I, Number 5, November 12, 1968

American Institute of Certified Public Accountants. Accounting Research Association

Follow this and additional works at: [https://egrove.olemiss.edu/aicpa\\_news](https://egrove.olemiss.edu/aicpa_news)



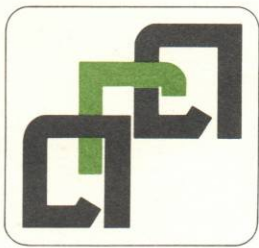
Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

### Recommended Citation

American Institute of Certified Public Accountants. Accounting Research Association, "Accounting Research Association Newsletter, Volume I, Number 5, November 12, 1968" (1968). *Newsletters*. 1460. [https://egrove.olemiss.edu/aicpa\\_news/1460](https://egrove.olemiss.edu/aicpa_news/1460)

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact [egrove@olemiss.edu](mailto:egrove@olemiss.edu).



# Accounting Research Association newsletter

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

Volume I, No. 5

November 12, 1968

Two Draft APB Opinions Approved for Exposure: Earnings Per Share and Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants (ARA Newsletter, August 27, 1968) will be distributed to some 8,000 interested persons and organizations for comment during week of Nov. 11. Board approved exposure at its October meeting. Copies available to ARA members on request. Write R. C. Lytle, APB Administrative Director.

Majority of Board favors investment value test for determining residual status of a security, but addendum to e.p.s. draft contains alternate paragraphs dealing with market parity test. (This test compares market value of convertible security with its conversion value and if both prices are substantially equivalent, security is considered a residual). Board is seeking views on both methods.

Publication of final opinion is expected in February. Provisions relating to primary e.p.s. and fully diluted e.p.s. reported on income statement go into effect upon issuance of opinion; other provisions are effective for periods starting after Dec. 31, 1968.

Draft on convertible debt would replace paragraphs 8 and 9 of Opinion No. 10 and paragraphs 11-15 of Opinion No. 12. Basically, it calls for attributing a value to stock purchase warrants but not to the convertible feature of convertible debt. Opinion is to be effective for periods beginning after Dec. 31, 1966, but allowance is made for those who elected to apply provisions of paragraphs 8 and 9 for periods beginning before Dec. 31, 1968.

Applicability of Opinion No. 9 to Commercial Banks: Action is expected in December on an APB opinion which would bring commercial bank income statements into conformance with provisions of Opinion No. 9. A meeting is to be held with representatives from banking industry and regulatory agencies in late November to discuss its features.

New Booklet Published on APB: The first comprehensive description of the objectives and methods of the APB designed for the business community generally, is available without charge from the Institute. The Accounting Principles Board traces efforts to improve accounting principles, leading to formation of the Board in 1959. Its procedures are outlined with stress on "exposure" features. Published Opinions and Accounting Research Studies are listed and significance of Board activities is discussed.

Booklet is to be distributed to executives of major companies, industry groups, ARA members, and others interested in corporate reporting.

(continued)

APB Comments on SEC Proposals to Amend Forms S-1, S-7 and 10: Board endorsed objective of further disclosure by diversified companies, but took issue with some of the specific SEC proposals in a letter sent to the commission by Chairman LeRoy Layton on Oct. 31.

Among the points raised:

...Questioned proposed 10% rule for disclosure which would apply to net income as well as sales and revenues during either of the last two fiscal years because with these additional tests the continued application of the 15% rule would include more situations than previously.

...Opposed disclosure of net income from government contract procurement and single customers. Recommended disclosure of sales and revenues only.

...Suggested that the arbitrary percentage for disclosure by source category should be higher than for related or similar products or services.

...Recommended elimination of the proposed requirement for disclosure of foreign operations because it does not deal adequately with the substantive problems. Pending further study, now underway, it was suggested that existing reporting standards be continued.

Board stated its intention to analyze reporting by segments of diversified companies as a sound basis for a definitive Opinion on the need for and extent of such disclosures in terms of fair presentation of financial condition and results of operations.

Among other groups that filed comments were the Financial Executives Institute -- which opposed various aspects of the proposals that were inconsistent with its recent research study -- and the National Association of Accountants which stated that the purpose of the amendments could not be accomplished because allocations of common corporate costs to segments are unavoidably arbitrary -- therefore unreliable.

Accounting Research Study Now Available: ARS Study No. 10, Accounting for Goodwill (ARA Newsletter Aug. 27, 1968) has been published and ARA members may order copies from the Institute at their special discount price of \$1.20 each.

This controversial study is expected to attract widespread comment in the business community and was the subject of feature stories in The Wall Street Journal (Oct. 17) and The New York Times (Oct. 20).

ARA Annual Meeting Held: The first annual meeting of the ARA took place in Washington on Oct. 16. Matthew F. Blake, New York, (President and Chairman of Board of Trustees) urged greater participation by local practitioners because "our program will benefit everyone -- big and small, auditor, tax specialist, management services expert, and those engaged in practice management."

Other officers elected at Board of Trustees meeting, Oct. 14 are: Walter J. Oliphant, Chicago, (Vice President and Vice Chairman of Board); Kenneth B. Wackman, New York (Secretary-Treasurer). Walter E. Hanson, New York and Samuel A. Derieux, Virginia are new trustees replacing Hilliard R. Giffen and Horace G. Barden. Dues income now stands at \$364,000 from 2,041 practice units and 1,771 individual members. Goal recommended by AICPA Pres. Ralph Kent, as a minimum requirement, is \$500,000.