

University of Mississippi

eGrove

---

Newsletters

American Institute of Certified Public Accountants (AICPA) Historical Collection

---

1969

## Accounting Research Association Newsletter, Volume II, Number 1, January 17, 1969

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)



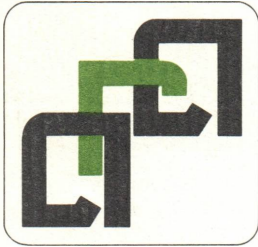
Part of the [Accounting Commons](#), and the [Taxation Commons](#)

---

### Recommended Citation

American Institute of Certified Public Accountants. Accounting Research Association, "Accounting Research Association Newsletter, Volume II, Number 1, January 17, 1969" (1969). *Newsletters*. 1459. [https://egrove.olemiss.edu/aicpa\\_news/1459](https://egrove.olemiss.edu/aicpa_news/1459)

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

Vol. II, No. 1

January 17, 1969

Strong Reaction to APB Exposure Draft on Earnings Per Share: The Accounting Principles Board's exposure draft on e.p.s. (ARA Newsletter, November 12, 1968) is attracting wide attention. Letters of comment received to date indicate strong positions -- for and against. As expected, considerable opposition has been expressed by respondents from industry and others, many of whom object to including the effect of residual securities in computation of "primary" earnings per share. They favor "conventional" figure, based solely on common stock outstanding.

Action is expected at Jan. 29-31 meeting after Board considers views expressed at a Symposium held in New York, January 14. Ten organizations, representing various elements of the business and financial community were invited to present their positions on this proposed opinion, as well as that on Convertible Debt and Debt Issued With Stock Purchase Warrants.

Status of Accounting Research Studies: Project advisory committee is presently reviewing a revised draft of "Financial Reporting in the Extractive Industries" by Robert E. Field. Pending further revisions, publication is expected late summer, 1969.

Two other draft studies, Intercorporate Investments and Foreign Operations, will be submitted to respective advisory committees in March.

Preliminary research has been started on Concept of Materiality (Kenneth Stringer) and Accounting for Working Capital (Loyd Heath).

Interpretation of APB Opinion No. 11: A booklet containing extensive interpretations of the provisions of Accounting for Income Taxes will be published soon. Written by Donald J. Bevis, chairman of the subcommittee which prepared the Opinion drafts, it includes illustrations of the treatment on such matters as interperiod allocation for timing differences and operating losses. Although this material is not an official statement of the Accounting Principles Board and represents the author's personal views, it should serve as a valuable supplement to the formal Opinion. Copies of the booklet will be sent free to ARA members and made available to others, upon request, at nominal cost.

Bankers Seek Further Discussion on Amendment to Opinion No. 9: The APB has been asked by banking representatives to defer final vote on proposed Opinion which would apply the provisions of Opinion No. 9 to commercial banks. Under discussion are possible revisions to the bank audit guide, which would include in net income a provision for loan losses (based on a five-year moving average) and a portion of all securities gains and losses (amortized over a period of approximately six years). Board will consider action at Jan. 29-31 meeting.

(continued)

New Research Committee Formed: With the approval of the Institute's Executive Committee, President Kent has appointed a new committee to develop proposals for an overall coordinated approach to research. The committee is expected to review the planning committee's paper on Research, inventory existing and proposed research projects being undertaken within and outside of the Institute, and to submit to the Executive Committee its recommendations on the priorities that should be established. (See President's column, The CPA, Jan. 1969.)

Members of the committee are: Marvin L. Stone, Denver, Chairman; Albert H. Cohen, New York; H. Justin Davidson, Detroit; Norton Bedford, Champaign, Illinois; Kenneth W. Stringer, New York and Leonard M. Savoie, New York.

Survey of Fire and Casualty Reports: A review of 1967 annual reports indicates that AICPA members are complying with the reporting recommendations of the audit guide on Audit of Fire and Casualty Insurance Companies.

The survey by the committee on insurance accounting and auditing covered reports of 80 companies, 50 of which contained opinions of independent accountants.

In 36 cases the opinions followed the recommendations of the Guide in referring to variations from accepted accounting principles. Adjusted earnings were reported in 24 of these reports either in separate statements or in footnotes. The remaining 12 stated that the effect of the variances had not been determined. Eleven opinions (by nonmembers of AICPA) stated that they were in accordance with statutory practices, but no reference was made to g.a.a.p. The other three indicated accord with g.a.a.p. "in all material respects" (1) or "except as modified" to conform to statutory practices, without identifying the variations (2).

Statements on Management Services: First two statements in a new series have been approved by committee on management services for February publication.

Objectives of these statements entitled, Tentative Description of the Nature of Management Services by Independent Accounting Firms and Competence in Management Advisory Services are to guide CPA firms in determining their own scope of MAS work and to help them evaluate their competence to perform these services under various practical conditions.

Forthcoming Audit Guides: Draft of Medicare Audit Guide will be submitted later this month to committee on health care institutions for "exposure" approval. Proposed Guide, which would be applicable to audits of all types of providers -- hospital, extended care facility, and home health agency -- is designed to assist the independent auditor in his examination of provider's Statement on Reimbursable Costs. Publication is planned for summer 1969.

The health care committee will start review of the initial draft of an audit guide for hospitals in early Feb. Written by Howard E. Withey, Guide will be exposed to the industry and profession in late spring, prior to publication.

Mr. Withey has also agreed to prepare the first draft of an audit guide for colleges and universities. Work will start in March.