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Accounting Research Association newsletter

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

VOL. V, No. 5

June 14, 1972

PROGRESS TOWARD ESTABLISHING FINANCIAL ACCOUNTING FOUNDATION

Implementation of the recommendations of the Wheat report proceeds on schedule.

At a June 27-28 meeting of AICPA's Board of Directors (whose members will be the Foundation's electors) President Walter J. Oliphant will submit recommendations for the eight elected trustees of the Foundation, including one nominee each from the Financial Executives Institute, the National Association of Accountants, the American Accounting Association, and the Financial Analysts Federation, plus four practicing CPAs nominated by the AICPA.

The trustees will appoint the members of the Financial Accounting Standards Board and the Advisory Council, raise and allocate the funds required to support the new structure, and review periodically the basic structure of the new organization.

The participating associations have reviewed drafts of the proposed legal instruments which would carry out the recommendations of the Wheat report. The Foundation is to be created soon after the AICPA Board meeting.

SUMMARY OF JUNE APB MEETING

Early Extinguishment of Debt: An Exposure of a proposed draft Opinion calling for the reporting of gains or losses on early debt retirement as a separate item in net income for the period of extinguishment will be distributed to all AICPA members and other interested parties later this month.

Accounting for Leases: A draft of a proposed APB Opinion on Accounting for Lease Transactions by Manufacturer or Dealer Lessors has also been approved for exposure this month. The draft Opinion specifies criteria to determine when a manufacturer or dealer lessor should account for a lease transaction as if it were a sale. The draft takes substantially the same position as the staff Accounting Interpretation of November 1971, which remains in effect until the Opinion is final.

Extraordinary Items, Non-Cash Transactions & Interim Financial Statements: There was preliminary, general discussion of these three subjects without the Board reaching any definitive conclusions. However, drafts on all three subjects are expected to be prepared by committees of the APB for consideration by the full Board at its July meeting, with final action expected before the end of the year.

(continued)

Extraordinary Items -- The trend of thinking of the APB committee is to retain the modified all-inclusive income statement format outlined in APB Opinion No. 9, and to review and possibly tighten the criteria to determine what items are to be segregated as extraordinary.

Non-Cash Transactions -- This proposed Opinion will deal with the accounting to be followed for transfers of non-cash assets to stockholders and exchanges of assets with other companies. The APB committee's thinking tends toward recommending (a) accounting for transfers of non-cash assets to stockholders at value, and (b) accounting for non-cash exchanges with other companies at cost for productive assets and at value for non-productive assets.

Interim Financial Statements -- This proposed Opinion will deal with the accounting and reporting practices to be followed in the preparation of condensed interim financial data issued on a regular basis (usually quarterly) for external reporting purposes. The APB committee tentatively plans to recommend that all accounting requirements and practices in APB pronouncements followed in the preparation of annual financial statements should apply in the preparation of condensed interim financial data although it is expected that not all of the disclosures would be required. Further consideration will be given to the accounting problems that result from applying principles followed in annual reports to shorter accounting periods.

Accounting for Franchise Fee Revenue: A proposed accounting guide prepared by the AICPA committee on franchise accounting and auditing has been reviewed and, subject to certain modifications, is expected to be approved for publication by the Chairman of the Board prior to the July 27-29, 1972 APB meeting.

AUDIT GUIDE PUBLICATION PLANS

Industry audit guides covering Hospitals, Savings & Loan Associations, Revenue from Films Licensed to TV, and Stockbrokers and Dealers are expected to be published during 1972 (with the one on Hospitals due to be released in early July). Also scheduled for publication this year, but with public exposure for comment first, are guides covering Life Insurance Companies, Educational Institutions, State and Local Governmental Units, Companies in the Development Stage, Finance Companies, Investment Companies, Land Development Companies, Real Estate Companies, and Voluntary Health and Welfare Organizations. A forecast of probable publication or exposure dates of other guides being worked on by various Institute committees is not practical at this time.