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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. 6

August 2, 1972

FINANCIAL ACCOUNTING FOUNDATION ELECTS OFFICERS

The trustees of the newly formed Financial Accounting Foundation, established as a result of the Wheat Report (See ARA Newsletter, May 5, 1972), held their organizational meeting on July 28.

Elected president of the foundation was former Institute president Ralph E. Kent, managing partner, Arthur Young & Company, New York.

Other officers, who will serve indeterminate terms are: Thomas A. Murphy, vice chairman, General Motors Corporation, Detroit, vice president; James Don Edwards, professor of accounting, University of Georgia, secretary; and Thomas C. Pryor, senior vice president, White Weld & Co., Inc., New York investment banking firm, treasurer.

In addition to the officers, the following are trustees of the foundation: John C. Biegler, senior partner, Price Waterhouse & Co., New York; Ivan Bull, managing partner, McGladrey, Hansen, Dunn & Co., Davenport, Iowa; Samuel A. Derieux, partner, Derieux & Watson, Richmond, Virginia; William H. Franklin, chairman of the Board, Caterpillar Tractor Co., Peoria, Illinois; and Walter J. Oliphant, senior partner, Arthur Andersen & Co., Chicago, who, as current AICPA president serves ex-officio.

A nationwide search is now underway to select the full-time seven member Financial Accounting Standards Board, which is expected to replace the APB in January 1973. In addition to making arrangements to obtain contributions for the \$3,000,000 a year program, the trustees will shortly establish procedures governing public hearings and exposure of the standards board's proposed pronouncements and the use of task forces and advisers to prepare material for its consideration.

PRICE COMMISSION REQUIRES AUDITOR'S REVIEW OF PROFIT MARGIN REPORTS

The Price Commission recently amended the regulations on its "Accounting and Financial Reporting Requirements" to the effect that independent public accountants must review and report on certain information filed in Form PC-51. The letters to be furnished by independent public accountants are required only in connection with annual and semi-annual filings even though the Form is filed quarterly.

The new regulations, which cite eight procedures to be followed by the independent auditor, apply generally to companies with annual sales of \$50 million which are required to file Form PC-51. Further information on these regulations is available from the Institute's auditing and reporting division.

(continued)

JULY ACCOUNTING PRINCIPLES BOARD MEETING

The following areas were considered by the Accounting Principles Board at its July 26-28 meeting in New York.

Stock Compensation Plans: Substantial agreement was reached on the positions taken in the exposure draft of the Opinion (See ARA Newsletter, Jan. 28 and March 14, 1972) except that further consideration will be given to accounting for income tax benefits, as presented in paragraph No. 16 of the draft. Balloting on the Opinion will be deferred pending resolution of the tax question.

Non-Cash Transactions, Extraordinary Items and Interim Financial Statements: (See ARA Newsletter, June 14, 1972.) These subjects were discussed briefly, but no definitive action was taken.

Accounting/Auditing Guides and Position Papers: Approval to publish the position paper on "Accounting for Revenue from Films Licensed to Television" was deferred pending further study and consultation on the acceptability of the "sales" method proposed in the paper. Under this method revenue would be recognized at the time the film is available for showing by the licensee.

Subject to certain changes, it was indicated that the APB chairman would authorize reexposure of "Audits of Life Insurance Companies" for distribution within the next few weeks. The changes relate principally to the recognition of revenue, which usually should be recognized over the contract period, although the premium payment period would be acceptable under certain circumstances.

Two audit guides were approved for exposure after minor revisions are made. These are "Audits of Educational Institutions" and "Accounting for Retail Land Sales". It is expected that these exposure drafts will be available next month. Copies of these guides will be available upon request from the Institute's auditing and reporting division.

A draft position paper on "Profit Recognition on Sales of Real Estate" and a draft guide, "Audits of Finance Companies" are scheduled for discussion at the September APB meeting for possible recommendation to the chairman as to whether they should be approved for exposure.

The "Hospital Audit Guide" is now available from the Institute's order department. AICPA member's price is \$2.20 per copy (\$2.75 for non-members).

Deadline Nears for Comments on Two Proposed Opinions: Comments on "Early Extinguishment of Debt" are due by August 18 and those on "Accounting for Lease Transactions by Manufacturer or Dealer Lessors" should be sent to the APB Administrative Director by August 21. The Board will consider further action on these draft Opinions at its September 13-15 meeting.

FOREIGN OPERATIONS RESEARCH STUDY AVAILABLE

ARS No. 12 "Reporting Foreign Operations of U.S. Companies in U.S. Dollars" will be published this month. Price to AICPA members is \$3.00 per copy (\$3.75 to non-members).

Other research studies which are expected to be published by the end of 1972 include those on stockholders' equity, inventory pricing and research and development costs.