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## Accounting Research Association Newsletter, Volume VI, Number 3, April 10, 1973

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# Accounting Research Association newsletter

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

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Vol. VI, No. 3

April 10, 1973

## APB MEETING

The following actions were taken at the April 2-3 meeting of the Accounting Principles Board:

Reporting the Effects of Extraordinary Events and Transactions: A revised draft will be prepared for a new ballot by the Board, which will be due at or shortly after the June 11-13 meeting.

The basic concept that items must be both unusual and infrequent before they can be classified as extraordinary will not be changed. Under consideration are some changes in classification within the income statement for the reporting of disposals of segments of a business. The original ballot draft required that, in the disposal of a segment of a business, the gain or loss on the disposal would be presented as an extraordinary item if the transaction met the criteria for an extraordinary item. The revised draft will suggest a separate classification for reporting the effects of the disposition that would be shown before the caption income before extraordinary items. Further discussions will be held with certain interested organizations before the revised draft is submitted for ballot. Copies of the draft material for these discussions will be available to any interested person, upon written request to the APB Administrative Director.

Interim Financial Statements: Balloting on the proposed Opinion on interim financial statements is in process. Even if approved, publication of the Opinion may be deferred until the Opinion on extraordinary items is issued, because the references to the treatment of extraordinary items are contingent upon approval of that Opinion.

Nonmonetary Transactions: After some minor revisions arising from Board discussion are made, a ballot draft should be presented shortly. None of the changes affects the concept that accounting for exchanges of nonmonetary assets generally should be based on the fair value of the assets involved. Modifications are set forth to cover problems of measuring fair value or recognition of revenue before the earning process has been completed. (See ARA Newsletter Dec. 13, 1972)

The effective date, however, has been postponed to those transactions consummated after June 30, 1973.

Disclosure of Lease Commitments by Lessees: The Board tentatively decided, subject to possible further consideration at its June meeting, to withdraw the exposure draft and refer the subject to the Financial Accounting Standards Board.

(continued)

Accounting for Leveraged Leases: A draft accounting interpretation will be prepared for consideration at the June meeting. It will specify the manner in which the equity participant in a leveraged lease arrangement should report income on its investment under the provisions of APB Opinion No. 7. It is expected that discussions will be held with banking and industry groups before the proposed interpretation is presented for approval.

#### ACCOUNTING/AUDITING GUIDES

Audits of Brokers and Dealers In Securities: This industry guide has been published and is available at \$3.60 to AICPA members (list price - \$4.50).

Audits of Colleges and Universities: Ready for printer -- estimated publication date May 15, 1973.

Audits of Finance Companies: Publication has been authorized by the APB chairman, subject to minor revisions. Recommendations, which vary from current acceptable accounting practices, are made in 13 key areas. Effective date is for fiscal years beginning after December 31, 1973, but the committee encourages earlier application.

Profit Recognition on Sales of Real Estate: Committee will consider changes suggested by APB chairman for possible resubmission for approval to publish in June.

Due Date Set for Exposure Drafts: Comments will be due by May 1 on the following draft audit guides, which have just been approved for exposure: companies in defense contracting, voluntary health and welfare organizations, and pension funds. Also due on May 1 are comments on Audits of Companies in the Development Stage. The exposure period for Accounting for Motion Picture Films ends April 23, as does Audits of Investment Companies which has been extended from March 23.

Audits of State and Local Governments: Expected to be mailed to interested parties for public exposure this week with comments due by May 29.

#### FASB SETS PRIORITY ITEMS

At its April 2-4 meeting the Financial Accounting Standards Board selected seven priority areas for consideration. These subjects and the appointed Board task force chairmen are:

Accounting for foreign currency translation - Donald J. Kirk.

Reporting by diversified companies - Arthur L. Litke.

Criteria for determining materiality - John W. Queenan.

Accounting for leases by lessees and lessors - Walter P. Schuetze.

Accounting for reserves for certain losses - Walter P. Schuetze.

Accounting for such costs as research and development, and start-up and relocation - Robert T. Sprouse.

Qualitative standards for financial reporting - Marshall S. Armstrong.

In announcing the initial agenda, FASB chairman Armstrong said that the items will be given equal priority but will require varying amounts of time to complete.

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