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## Accounting Research Association Newsletter, Volume VI, Number 5, August 31, 1973

American Institute of Certified Public Accountants. Accounting Research Association

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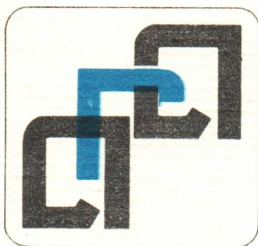
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# Accounting Research Association newsletter

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

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VOL. VI, No. 5

August 31, 1973

## HIGHLIGHTS OF FASB ACTIVITIES

Task Forces Moving Ahead: Foreign currency task force of Financial Accounting Standards Board has agreed to broad outline of discussion memo - draft now in process, with possible availability of final memo in late fall. FASB member Donald J. Kirk heads group.

Diversified companies task force under FASB member Arthur L. Litke will conduct field interview with chief executives and financial officers of some 25 companies to determine criteria and rationale used by management for determining internal and external segmentation. Two additions to task force - Alan W. Drew, executive vice president of Peabody Galion Corporation and Dr. Russell Parker, assistant to director, Bureau of Economics of Federal Trade Commission. Because of change in corporate duties William E. Forsyth of General Electric has been replaced by Maurice H. Mayo, vice president and comptroller also at G.E.

Views Sought by Board: In an open letter to the AICPA and other organizations, the Board is seeking views from users, preparers and auditors on possible interpretation, amendment or replacement of existing APB Opinions and Accounting Research Bulletins. While it will consider comments on any of these pronouncements, the following are "areas of particular concern": ARB No. 51, Consolidated Financial Statements and APB Opinions No. 8, Accounting for the Cost of Pension Plans; No. 11, Accounting for Income Taxes; No. 15, Earnings per Share; No. 16, Business Combinations; No. 17, Intangible Assets; No. 18, The Equity Method of Accounting for Investments in Common Stock; and No. 26, Early Extinguishment of Debt. Comments should be submitted by September 30 to FASB, High Ridge Park, Stamford, Conn. 06905.

Catastrophe Reserves: A discussion paper dealing with alternate ways of accounting for catastrophe losses has been forwarded to the FASB by the Institute. Copies are available to ARA members upon written request to the Institute's Director-Accounting Standards. At issue is whether insurance companies should establish catastrophe reserves. The insurance accounting committee, which prepared the paper, was unable to reach a decision on the relative merits, but the accounting standards executive committee is expected to develop a definite position for submission to FASB.

Annual Reports: The first annual report of FASB chairman Marshall Armstrong has been sent to the AICPA and other participating organizations. The report of Financial Accounting Foundation president Ralph E. Kent is expected to be published in September.

Two FAF Trustees Elected: William Franklin, chairman of Caterpillar Tractor Company and Richard Baker, managing partner of Ernst and Ernst have been elected by the Institute's Board of Directors to three year terms as trustees of the Financial Accounting Foundation.

## ACCOUNTING STANDARDS MEETING

At its August 28-29 meeting the Accounting Standards Executive Committee decided to recommend to the SEC that it withdraw its proposed amendments to Regulation S-X on lease disclosure in view of the issuance of APB Opinion No. 31 and the fact that FASB is giving top priority to the broad subject of leases.

In particular, the committee objects to the proposed requirement that impact on income should be disclosed as if the leases were capitalized. Also, it believes that reporting of the present value of financing lease commitments should be made optional as set forth in the APB Opinion and should not be limited to financing leases, as defined in the proposed amendment.

The committee approved, with minor revisions, a draft policy statement on conformance of tax accounting with generally accepted accounting principles prepared by the Federal Tax Division for submission to the Board of Directors. The draft continues to oppose financial statement eligibility (booking) requirements by the Treasury, but will acquiesce in certain cases to those requirements which have no material adverse effect on the improvement or application of g.a.a.p.

## INDUSTRY ACCOUNTING/AUDIT GUIDES

The following industry guides are now available: Accounting for Motion Picture Films - \$1.60 per copy; Audits of Colleges and Universities - \$3.20 per copy; and Profit Recognition on Sales of Real Estate - \$1.60 per copy. (Prices are at member's discount on basis of \$2.50 minimum order.) Next to be published is Audits of Voluntary Health and Welfare Organizations which probably will be ready about the end of September.

## EXPOSURE DRAFT ON AUDITING STANDARDS

Proposed statement on auditing standards, Auditor's Report, has been mailed to all firms and practitioners for comment by October 29. Additional copies are available from the Auditing Standards Division. Basic provisions are:

- Disclaimer would be restricted to scope limitations.
- Material uncertainties (e.g., "going concern" problems) would require either qualified or adverse opinions.
- An explanation would be required in the auditor's report whenever the opinion is other than unqualified.
- Qualified opinions would always use some form of "except for", thereby eliminating "subject to".
- Piecemeal opinions would be prohibited.

## ARA ANNUAL MEETING

A joint ARA Board of Trustees and Annual Meeting will be held at 2:00 p.m., Sunday, October 14, 1973 in the Austrian Suite of the Regency Hyatt House in Atlanta, Georgia to elect officers for 1973-74 and to discuss such other matters as may be brought before it.

## HAIL AND FAREWELL

This is the final issue of the ARA Newsletter. It is being discontinued in view of the advent of the FASB's Status Report which covers the accounting standards area and the Institute's new semi-monthly, The CPA Letter. The Letter will cover Institute technical activities, FASB material and other accounting news. ARA members, as well as other Institute members, will therefore receive more news on a more timely basis. ARA members will continue to receive special publications such as reports by the Accountants International Study Group.