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4-1-1995

## Technical Activities Report, for the Period April 1 -June 30, 1995

American Institute of Certified Public Accountants (AICPA)

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**AICPA**

***Technical  
Activities  
Report***

*For the Period  
April 1 – June 30, 1995*

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# AICPA Report on Technical Activities

*For the period of  
April 1 - June 30, 1995*

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## TECHNICAL HIGHLIGHTS THIS PERIOD

- Exposure Draft - Environmental Remediation Liabilities

The Accounting Standards Executive Committee has released an exposure draft of a proposed SOP on Environmental Remediation Liabilities. The proposed SOP would be effective for fiscal years beginning after December 15, 1995. The comment deadline is October 31, 1995. (See page 1 for more details)

- Accountants Forum

The Accountants Forum, a national on-line computer network on CompuServe, was launched on June 30, 1995. The library section of the Forum features files of information (such as exposure drafts, nonauthoritative guidance, and other professional information) from the AICPA and approximately 30 participating state CPA societies. The message section provides an area for members to post and respond to public messages about accounting, auditing, tax, and other professional issues. The conference center allows for informal, on-line conversations; formal, moderated conferences; and private small-group on-line discussions. (See page 22 for more details)

- Audit Risk Alerts

The AICPA has issued audit risk alerts for employee benefit plans, not-for-profit organizations, and state and local governmental units.

- Guide to Registering as an Investment Advisor

In June 1995, the AICPA's Personal Financial Planning Division has issued a Guide to Registering as an Investment Adviser.

# 1

## ACCOUNTING STANDARDS ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date
<b>Final Documents</b>		
SOP 95-2	<i>Financial Reporting by Nonpublic Investment Partnerships</i>	May 1995
PB 14	<i>Accounting and Reporting by Limited Liability Companies and Limited Liability Partnerships</i>	April 1995
<b>Exposure Draft</b>		
Proposed SOP	<i>Environmental Remediation Liabilities</i>	June 1995
<b>Comment Letters</b>		
N/A	<i>FASB Exposure Draft - Accounting for Certain Investments Held by Not-for-Profit Organizations</i>	
N/A	<i>IASC Exposure Draft, Income Taxes</i>	
N/A	<i>GASB Proposed Statement-The Use of Not-for-Profit Accounting and Financial Reporting Principles by Government Entities</i>	
N/A	<i>GASB Proposed Interpretation, Disclosure of Conduit Debt Obligations</i>	

### SIGNIFICANT CONTINUING PROJECTS

**Environmental Remediation Liabilities - Proposed SOP** - The proposed SOP consists of two parts: (1) a nonauthoritative discussion of major federal legislation dealing with pollution control (responsibility) laws and environmental remediation (clean-up) laws and the need to consider various individual state

requirements and (2) authoritative guidance on specific accounting issues that are present in the recognition, measurement, display, and disclosure of environmental remediation liabilities. An appendix to the SOP contains auditing guidance. The proposed SOP is written in the context of the operations taking place in the United States, however the accounting guidance is applicable to all operations of the reporting entity.

The effect of initially applying the SOP would be reported as a change in accounting estimate. Restatement of previously issued financial statements would not be permitted.

**Proposed Effective Date** - Fiscal years beginning after December 15, 1995; earlier application encouraged.

**Status** - The exposure draft was issued on June 30, 1995 with a 120 day comment period.

**Contact** - Fred Gill (212-596-6162)

**Software Revenue Recognition - Proposed SOP** - The Task Force on Accounting for the Development and Sale of Computer Software continues to develop an exposure draft of a proposed SOP that addresses certain revenue recognition issues relating to the software industry. The proposed SOP would amend SOP 91-1, *Software Revenue Recognition*.

**Proposed Effective Date** - Not yet determined.

**Status** - AcSEC will review a proposed exposure draft at its August 1995 meeting.

**Contact** - Rich Stuart (212-596-6163)

**Insurance Companies - Proposed SOPs** - The draft exposure draft of a proposed SOP, *Accounting by Insurance Entities for Guaranty Fund and Certain Other Assessments* requires that insurance enterprises recognize a liability for assessments when the following conditions are met: (1) an assessment has been asserted or it is probable that an assessment will be asserted; (2) the underlying cause of the asserted or probable assessment has occurred; and (3) the amount of the loss can be reasonably estimated.

**Proposed Effective Date** - Not yet determined.

**Status** - The FASB objected to exposure of the proposed SOP. The Insurance Companies Committee discussed the future of this project at its meeting and decided to discuss with AcSEC ways in which the project can be moved ahead.

**Contact** - Elaine Lehnert (212-596-6160)

An Insurance Companies Committee task force is developing an SOP on deposit accounting for certain insurance and reinsurance contracts by insurance enterprises and other enterprises.

**Proposed Effective Date** - Not yet determined

**Status** - Not yet determined

**Contact** - Elaine Lehnert (212) 596-6160

**Investment Companies - Final Draft SOP** - The proposed SOP, *Accounting for Certain Distribution Costs of Investment Companies*, requires that investment companies that are public mutual funds account for distribution costs as liabilities where they have agreed unconditionally to pay such costs as allowed by Section 12b-1 of the Investment Company Act of 1940.

**Proposed Effective Date** - Fiscal years beginning after December 15, 1995 and interim statements in such years.

**Status** - The final SOP was issued on July 28 1995.

**Contact** - Al Goll (212-596-6161)

**Not-for-Profit Organizations** - The proposed SOP, *Accounting for Costs of Materials and Activities of Not-for-Profit Organizations and State and Local Governmental Entities that Include a Fund-Raising*



*Appeal*, requires that if certain criteria are met, the costs of a joint activity that are identifiable with a particular function should be charged to that function and joint costs should be allocated between fundraising and the appropriate program or management and general function. If the criteria are not met, all costs of the activity should be reported as fundraising costs, including costs that are otherwise identifiable with program or management and general functions. AcSEC will discuss a revised draft at its August 1995 meeting.

**Proposed Effective Date** - Not yet determined.

**Status** - AcSEC expressed tentative support for the model in the exposure draft and the tentative conclusions reached by the Not-for-Profit Organizations Committee. AcSEC will begin deliberating the final pronouncement in the third quarter of 1995. The final pronouncement is expected to be issued in the fourth quarter of 1995.

**Contact** - Joel Tanenbaum (212-596-6164)

**Real Estate - Final Draft SOP and Proposed SOPs** - The proposed SOP, *Supplemental Current Value Reporting by Real Estate Companies*, was discussed by AcSEC in May, 1995. Based on this discussion, AcSEC is reassessing the need for this project.

**Proposed Effective Date** - Not yet determined

**Status** - Planning Subcommittee is reassessing the need for this project

**Contact** - Rich Stuart (212 596-6163)

The draft exposure draft of a proposed SOP, *Accounting for Investors' Interests in Unconsolidated Real Estate Joint Ventures*, provides guidance on applying generally accepted accounting principles in accounting for investors' interests in unconsolidated real estate joint ventures and would amend SOP 78-9, *Accounting for Investments in Real Estate Ventures*. AcSEC has expressed tentative support for retaining the model in SOP 78-9 with a 5 percent cutoff. A general partner would always account for its investments using the equity method. A limited partner would use the equity method unless its ownership is less than 5 percent of the joint ventures' voting rights.

**Proposed Effective Date** - Not yet determined.

**Status** - A draft exposure draft is to be presented to AcSEC in August 1995. The exposure draft is expected to be issued for public comment in the fourth quarter of 1995.

**Contact** - Richard Stuart (212-596-6163)

The proposed SOP, *Reporting by Participating Mortgage Loan Borrowers*, provides guidance related to a borrower's accounting for a participating mortgage loan if the lender participates in increases in the market value of the mortgaged real estate project, the results of operations of that project or both.

**Proposed Effective Date** - Fiscal years beginning after June 15, 1996.

**Status** - The exposure draft was issued on July 5, 1995 with a 90 day comment period.

**Contact** - Rich Stuart (212-596-6163)

**Internal-Use Software Costs** - An AcSEC task force will develop an SOP on accounting for the costs of computer software developed or purchased for internal use.

**Proposed Effective Date** - To be determined

**Status** - The Task force held its first meeting in late July 1995 and will give its tentative conclusions on key issues to AcSEC at the October meeting.

**Contact** - Dan Noll (212-596-6168)

**Start-up Costs** - An AcSEC task force will develop an SOP on accounting for start-up, preopening, and preoperating costs (collectively referred to as start-up costs). The task force held its first meeting in mid-August, 1995.

**Proposed Effective Date** -To be determined

**Status** - The task force held its first meeting in mid-August 1995 and has scheduled its second meeting in late September. The task force's current focus is on defining the scope of the project.

**Contact** - Dan Noll (212-596-6168)

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# 2

## *FINANCIAL REPORTING COORDINATING COMMITTEE*

### DOCUMENTS ISSUED DURING THE PERIOD

None.

### SIGNIFICANT CONTINUING PROJECTS

The AICPA's Financial Reporting Coordinating Committee (Coordinating Committee) held its second meeting on June 19, 1995. The Coordinating Committee is the follow-up committee to the AICPA's Special Committee on Financial Reporting (Special Committee). The Coordinating Committee's mission is to ensure that the Special Committee's recommendations are given adequate consideration by those who can act on them.

The Coordinating Committee will be holding meetings with SEC staff. The purpose of these meetings is to freely exchange ideas and identify issues not previously discussed. The first meeting was held at the SEC on August 1, 1995.

The Coordinating Committee discussed the FASB's agreement to draft a two-part invitation-to-comment addressing the Special Committee's recommendations. Specifically, part one will address the recommendation to develop a comprehensive model of business reporting. Part two will address other Special Committee recommendations and issues raised by the AIMR in its paper, "Financial Reporting in the 1990s and Beyond."

The Coordinating Committee will have an opportunity to review the invitation-to-comment before it is released to the public (tentatively scheduled to be released in late Fall '95).

The Coordinating Committee also discussed a draft report prepared by a task force of the Canadian Institute of Chartered Accountants that analyzes the Special Committee's recommendations.

The Committee's next full meeting will be September 1995.

**Contact** - Dan Noll (212-596-6168)

# 3

## AUDITING & ATTESTATION ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date*
<b>Final Documents</b> AU Section 9315.08 - .18	<i>Auditing interpretation of AU sec. 315, Communications Between Predecessor and Successor Auditors, titled "Audits of Financial Statements That Had Been Previously Audited By a Predecessor Auditor."</i>	April 1995
AU Section 9324.01 - .02	<i>Auditing interpretations of AU sec. 324, Reports on the processing of Transactions by Service Organizations, titled "Describing Tests of Operating Effectiveness and the Results of Such Tests." and "Service Organizations That Use the Services of Other Service Organizations (Subservice Organizations)"</i>	April 1995
AU Section 9324.04 - 18	<i>Auditing interpretation of AU sec. 623, Special Reports, titled "Reporting on a Special-Purpose Financial Statement That Results in an Incomplete Presentation But Is Otherwise in Conformity With Generally Accepted Accounting Principles."</i>	May 1995

### SIGNIFICANT CONTINUING PROJECTS

**Agreed-Upon Procedures** - The Agreed-Upon Procedures Task Force is considering amendment or expansion of the performance and reporting guidance in professional standards dealing with agreed-upon procedures engagements. The task force is considering guidance concerning the practitioner's reporting responsibility for both findings and assurances in such engagements. The task force is also considering whether internal auditors may be used in agreed-upon procedures engagements and what effect the use of internal auditors would have on agreed-upon procedures reports. In addition, the task force has updated the related issues paper that was presented to the ASB in June 1990 identifying all instances in the professional standards where negative assurance based on agreed-upon procedures is permitted. At the June 1995 ASB meeting, the ASB agreed to ballot the two documents (one SAS, one SSAE) prepared by the task force for issuance as final statements.

**Proposed Effective Date** - Engagements dated on or after April 30, 1996.

**Status** - The documents are being balloted for final issuance and are expected to be available by the end of the third quarter.

**Contact** - Louise Williamson (212-596-6034)

\* Interpretations of Statements on Auditing Standards appear in the *Journal of Accountancy* in the month of issuance.

**Analytical Procedures** - The task force will consider topics to be included in an Auditing Procedure Study (APS) on analytical procedures.

**Status** - The task force will continue drafting the APS in the third quarter of 1995.

**Proposed Effective Date** - N/A

**Contact** - Louis Matherne (212-596-6027)

**Auditing Investments** - The Auditing Investments Task Force is revising AU Section 332, *Long Term Investments*, and its interpretation, "Evidential Matter for the Carrying Amount of Marketable Securities," to make the guidance in these documents consistent with Financial Accounting Standards Board Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The revised standard will address the auditor's responsibility for auditing investments (including derivatives) and will include guidance on obtaining and evaluating evidential matter relating to assertions about the existence, ownership, amortized cost, fair value, and classification of investments, as well as the treatment of gains and losses attributable to these investments. In February 1995, the task force presented an issues paper to the ASB. The ASB directed the task force to continue to work on these issues.

**Proposed Effective Date** - Not yet determined.

**Status** - The task force will present a revised issues paper and a preliminary draft of the revision to AU Section 332 at the August 1995 ASB meeting.

**Contact** - Judith Sherinsky (212-596-6031)

**Auditor Communications** - The task force will study and evaluate SAS No. 61, *Communication With Audit Committees*, and any other related auditing and attestation literature regarding communication responsibilities, to determine whether any revision is necessary. The task force will also evaluate the recommendations made in the report of the Public Oversight Board's Advisory Panel on Auditor Independence, *Strengthening the Professionalism of the Independent Auditor*, and make suggestions for any necessary changes in auditing or attestation literature resulting therefrom.

**Proposed Effective Date** - Not yet determined.

**Status** - The task force expects to present preliminary issues at the October 1995 ASB meeting.

**Contact** - Louise Williamson (212-596-6034)

**Audits of Small Businesses (APS Revision)** - The Auditing Procedure Study (APS) titled *Audits of Small Businesses* is being revised to reflect SAS Nos. 53-62. The chapters on evaluating internal controls and on performing analytical procedures will be revised to discuss the implementation of SAS Nos. 55 and 56, *Consideration of the Internal Control Structure in a Financial Statement Audit* and *Analytical Procedures*, respectively, in small business audits. Other changes will be made throughout the study to provide guidance that is consistent with recently-issued standards.

**Proposed Effective Date** - N/A

**Status** - The revised APS will be available in 1995.

**Contact** - Louis Matherne (212-596-6027)

**Audit Sampling (APS Revision)** - An APS, which will incorporate recently issued SASs, is being developed to replace the Audit and Accounting Guide, *Audit Sampling*.

**Proposed Effective Date** - N/A

**Status** - A final APS is expected to be issued in late 1995.

**Contact** - Louis Matherne (212-596-6027)

**Auditing in Common Computer Environments** - This APS addresses the possible effects of certain computer environments, such as local area networks, on the auditor's consideration of the internal control structure in a financial statement audit.

**Proposed Effective Date** - N/A

**Status** - Published in January 1995.

**Contact** - Jane Mancino (212-596-6029)

**Auditing in a Client/Server Environment** - This APS describes client/server computing and its possible effects on the financial statement audit.

**Proposed Effective Date** - N/A

**Status** - The subcommittee expects to issue this APS in the fourth quarter of 1995.

**Contact** - Jane Mancino (212-596-6029)

**Electronic Data Interchange (EDI)** - This joint project with the Canadian Institute of Chartered Accountants (CICA) describes Electronic Data Interchange (EDI) and its possible effects on the financial statement audit.

**Proposed Effective Date** - N/A

**Status** - Currently being developed; expected to be published in the fourth quarter of 1995.

**Contact** - Jane Mancino (212-596-6029)

**Electronic Evidence - Proposed SAS No. 31, Evidential Matter, Revisions** - The task force is considering whether existing guidance on evidential matter in the audit and attest standards is appropriate given that a significant amount of evidential matter is now electronic in nature. The task force will evaluate how an auditor's responsibility for the detection of material misstatements, including fraud, in the financial statements may be affected by electronic evidence. Finally, the task force will consider the need for non-authoritative guidance for auditors relating to electronic evidence.

**Proposed Effective Date** - Not yet determined.

**Status** - At the June 1995 ASB meeting, the task force presented preliminary issues and proposed revisions to SAS No. 55, "Consideration of the Internal Control Structure in a Financial Statement Audit," and to SAS No. 31, "Evidential Matter," to reflect electronic evidence considerations. The ASB directed the task force to consult with the Audit Issues Task Force for guidance on issues for which the ASB had not reached consensus. The task force is expected to discuss this topic at the July 1995 meeting of the AITF.

**Contact** - Louise Williamson (212-596-6034)

**Environmental Issues Task Force** - The task force has drafted a chapter titled "Auditing Environmental Remediation Liabilities" that has been included as an appendix in the Accounting Standards Executive Committee's proposed SOP, *Environmental Remediation Liabilities*. The guidance presents the recommendations of the task force regarding the application of generally accepted auditing standards to the audit of an entity's financial statements as it relates to environmental remediation liabilities. The task force is also responsible for evaluating, on an on-going basis, the need for auditing or attestation guidance related to environmental matters and for monitoring related activities of other standard-setting bodies.

**Proposed Effective Date** - Not yet determined.

**Status:** The exposure draft of the proposed SOP, including the auditing guidance, was issued on June 30, 1995, with a comment deadline of October 31, 1995.

**Contact** - Judith Sherinsky (212-596-6031)

**Internal Control - Proposed Revision to SAS No. 55, *Consideration of the Internal Control Structure in a Financial Statement Audit*, and Revision to Audit and**

**Accounting Guide** - A task force was formed to propose necessary revisions to SAS No. 55 to reconcile with the Committee of Sponsoring Organizations (COSO) of the Treadway Commission's Report titled *Internal Control - Integrated Framework*. At the June 1994 ASB meeting, the proposed revision was balloted for exposure. The proposed revision will be included in an exposure draft SAS/SSAE which will include standards that are being revised to conform with the COSO Report.

**Proposed Effective Date** - Periods beginning on or after January 1, 1997

**Status** - The exposure draft was issued in February 1995. The comment deadline was June 30, 1995.

**Contact** - Eric Nicely (212-596-6028)

The task force will also propose conforming changes to the Audit and Accounting Guide, *Consideration of the Internal Control Structure in a Financial Statement Audit*, resulting from the proposed amendment to SAS No. 55.

**Proposed Effective Date** - Periods beginning on or after January 1, 1997.

**Status** - The task force continued to revise the Guide during this quarter. The revised Guide will be available concurrently with the final amendment to SAS No. 55.

**Contact** - Eric Nicely (212-596-6028)

**Forecasts and Projections** - The Forecasts and Projections Task Force monitors and addresses problems encountered in implementing the guidance in the *Statement on Standards for Accountants' Services on Prospective Financial Information, Financial Forecasts and Projections*. An updated AICPA Audit and Accounting Guide, *Guide for Prospective Financial Information*, was published in March 1993.

**Proposed Effective Date** - N/A

**Status** - The task force is in a monitoring stage and plans to update the guidance for the new agreed-upon standards in the near future.

**Contact** - Linda Volkert (201-938-3072)

**Fraud** - The task force will consider clarifying the auditor's responsibility for the detection of fraud, as described in SAS No. 53, *The Auditor's Responsibility to Detect and Report Errors and Irregularities*. In addition, the task force will consider revising factors that may indicate increased risk of management fraud and providing separate indicators of employee fraud such as defalcations. Based on the results of the task force's considerations, the task force will evaluate whether any need to revise the auditor's report exists.

**Proposed Effective Date** - Not yet determined.

**Status** - The task force will present a draft SAS to the ASB at its August 1995 meeting. An exposure draft is expected to be approved in the fourth quarter of 1995.

**Contact** - Jane Mancino (212-596-6029)

**Quality Control Standards** - The joint task force was formed to consider revisions to the Statement on Quality Control Standards and the interpretations and develop specific recommendations. The task force will also consider whether Section QC90 of AICPA *Professional Standards*, "Quality Control Policies and Procedures for CPA Firms," should be revised and will develop specific recommendations for revisions in those documents.

**Proposed Effective Date** - Not yet determined.

**Status** - At the June ASB meeting, the ASB agreed to ballot for exposure two proposed Quality Control Standards. The exposure draft is expected to be released in August and the comment deadline will be October 31, 1995.

**Contact** - Dale Atherton (201-938-3253)

**Reporting on Uncertainties** - The Reporting on Uncertainties Task Force has drafted an amendment to SAS No. 58, *Reports on Audited Financial Statements*, that would eliminate the requirement that, when certain criteria are met, the auditor add an uncertainties explanatory paragraph to the auditor's report. At the June 1995 ASB meeting, the task force presented a draft of the proposed SAS titled "Amendment to Statement on Auditing Standards No. 58, Reports on Audited Financial Statements." The ASB discussed the proposed amendment and voted to ballot it for issuance as an exposure draft.

**Proposed Effective Date** - Not yet determined.

**Status:** The exposure draft was issued for comment from the public on July 20, 1995. The comment period ends on October 20, 1995.

**Contact** - Judith Sherinsky (212-596-6031)

**APS on Implementation of SAS No. 70, Reports on the Processing of Transactions by Service Organizations.** The task force is drafting an APS that provides guidance to auditors on implementing SAS No. 70, *Reports on the Processing of Transactions by Service Organizations*. The APS provides guidance to a service auditor engaged to issue a report on the control structure policies and procedures of a service organization. It also provides guidance to user auditors engaged to audit the financial statements of an entity that uses a service organization. An example of a service organization is a bank trust department that invests and holds assets for employee benefit plans. The task force also drafted two interpretations of SAS No. 70 that were published in the April 1995 issue of the *Journal of Accountancy*. One interpretation provides guidance on the information and the extent of detail that should be included in a service auditor's description of the results of tests of operating effectiveness. The other interpretation provides guidance on how a user auditor's and a service auditor's procedures are affected when a service organization uses another service organization (a subservice organization).

**Proposed Effective Date** - N/A

**Status** - The task force expects to issue the APS in the third quarter of 1995.

**Contact** - Judith Sherinsky (212-596-6031)

**Proposed Revision to SAS No. 68, Compliance Auditing Applicable to Governmental Entities and Other Recipients of Governmental Financial Assistance** - A task force was formed to consider revisions to SAS No. 68 as a result of guidance in SOP 92-7, *Audits of State and Local Governmental Entities Receiving Federal Financial Assistance*; SOP 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*; and the draft proposed Audit and Accounting Guide, *Audits of State and Local Governmental Units*. The task force also considered the effect of proposed revisions to the General Accounting Office's (GAO's) *Government Auditing Standards* and possible revisions to the Single Audit Act of 1984 resulting from studies conducted by the GAO and the President's Council on Integrity and Efficiency. At the December 1993 ASB meeting, the ASB agreed to ballot the document prepared by the task force for issuance as an exposure draft SAS. The exposure draft SAS was issued May 12, 1994. The comment deadline ended July 29, 1994. The task force evaluated the comment letters received and presented its recommendations to the ASB at its November 1994 meeting. At that meeting, the ASB voted to ballot the document for issuance as a final SAS.

**Proposed Effective Date** - Fiscal periods ending after December 31, 1994 for audits of financial statements and of compliance with laws and regulations. Early application of this Statement is encouraged.

**Status** - SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance* was issued in February 1995.

**Contact** - Louise Williamson (212-596-6034)

**SEC Auditing Practice - Proposed SAS/SSAE** - The ASB, at its April 1995 meeting, voted to ballot for final issuance an SAS titled, *Amendments to SAS No. 72, Letters for Underwriters and Certain Other*



*Requesting Parties, and to Statements on Standards for Attestation Engagements.* This provides guidance and a sample letter for auditors when the criteria in paragraphs 4 - 7 of SAS No. 72 for issuance of a comfort letter have not been met.

**Proposed Effective Date** - April 30, 1996

**Status** - September 1995

**Contact** - Jane Mancino (212-596-6029)

The task force is also revising the guidance contained in the 1987 exposure draft SSAE, *Reporting on Examination of Management's Discussion and Analysis.*

**Proposed Effective Date:** Not yet determined.

**Status** - The task force will present issues relating to this project at an upcoming 1995 ASB meeting.

**Contact** - Jane Mancino (212) 596-6029

**9000 Review - Proposed Omnibus SAS/SSAE** - The task force has prepared a proposed Omnibus SAS/SSAE - 1995 to revise various sections of the authoritative literature. The task force is also developing several auditing interpretations. The task force met in May 1995 to discuss various issues it has been assigned.

**Proposed Effective Date** - Upon issuance.

**Status** - The proposed Omnibus was issued in February 1995. The comment period ended June 30, 1995.

**Contact** - Eric Nicely (212-596-6028)

**SOP on Statutory Financial Statements - Auditors' Reports on Statutory Financial Statements of Insurance Enterprises**, provides guidance on general and limited distribution reports. The comment period ended in October 1994.

**Proposed Effective Date** - This SOP should be applied to audits of financial statements for years ended on or after December 31, 1996.

**Status** - Will be issued August 1995

**Contact** - Elaine Lehnert (212-596-6160)

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# 4

## *SPECIAL COMMITTEE ON ASSURANCE SERVICES*

The Board of Directors of the AICPA has authorized a Special Committee on Assurance Services and charged it with the following responsibility:

The Special Committee shall analyze and report on the current status and future of the audit/assurance function and the trends shaping the audit/assurance environment, focusing on the current and changing needs of users of decision-making information and other stakeholders in the audit/assurance process and how best to improve the related services provided to those parties. In formulating recommendations for improvement and ideas for implementation, the Committee shall balance practicality, vision, and the need for change the study reveals.

The scope of the analysis of the state of the audit/assurance function and environmental trends shall include, but need not be limited to, the economics of attestation, its social contribution, the influence of information technology, the attributes of information that users might desire assurance about, and the audit/assurance environment, the Committee shall take a long view (e.g., five to ten years or longer).

The Committee shall consider whether the definition of the audit/assurance function should be modified or supplemented and whether the profession needs an additional set of concepts. It shall also consider the implications of potential changes in the audit/assurance function for independence, professional skills, and professional education.

The Committee shall consider the recommendations of the AICPA's Special Committee on Financial Reporting and those of the AICPA's Santa Fe Audit/Assurance Conference (May 1993).

The Committee shall be alert to needed research, performing what it is capable of and commissioning from outside parties what requires more intensive labor and/or specialized research skills. When it is consistent with the Committee's defined purposes, it shall publish its research findings in advance of its final report.

The Committee shall be alert to the need to expand its inquiry and, with the Board's approval, to modify the scope of its study, analysis, and deliberations as necessary to achieve its defined purposes.

The Committee shall not function as a standard-setting body. Some of its recommendations may in time be considered by standard-setting bodies, but in such instances nothing done by the Committee shall restrict the mandates, authorities, due process, and obligations of any such standard-setting body.

The Committee shall make an interim report at the Fall Council Meeting in 1995 and a final report at the Fall Council Meeting in 1996. When it is consistent with the Committee's defined purposes, it shall make recommendations, communicate with the membership, and/or initiate other appropriate actions (subject to clearance by the Board or, on its behalf, the Chairman) in advance of the completion of the final report, so that implementation can begin in advance of the final report.

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# 5

## AUDIT AND ACCOUNTING GUIDE ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

None.

### SIGNIFICANT CONTINUING PROJECTS

#### **NEW GUIDE/GUIDE REVISION PROJECTS:**

**Banks and Savings Institutions - Proposed Audit and Accounting Guide** - A task force composed of members of the Banking and Savings Institutions Committees has issued an exposure draft of a proposed Audit and Accounting Guide, *Banks and Savings Institutions*. The comment period ended in November 1994. The proposed Guide would supersede *Audits of Banks* and *Audits of Savings Institutions*, reflecting the common regulatory structure resulting from the FDIC Improvement Act and other recent legislation. The task force and staff have responded to comments that were received on the proposed Guide.

**Proposed Effective Date** - Fiscal years ending after June 15, 1996.

**Status** - The task force has summarized and responded to the comment letters received and has sent a revised draft to AcSEC and the Auditing Standards Board for their clearance. The task force plans to present a revised draft to the FASB in August for clearance to issue a final Guide.

**Contact** - James Green (202-434-9269)

**Brokers and Dealers in Securities - Proposed Revised Edition of Audit and Accounting Guide** - The Stockbrokerage and Investment Banking Committee has issued an exposure draft of a proposed revised edition of *Audits of Brokers and Dealers in Securities*. The comment period ended in November 1994. The committee and staff are summarizing and responding to the fourteen comment letters received.

**Proposed Effective Date** - Not yet determined.

**Status** - Submission of a revised draft to senior technical committees for clearance is scheduled for late summer of 1995.

**Contact** - Al Goll (212-596-6161)

**Health Care Organizations - Proposed Revised Edition of Audit and Accounting Guide** - The Health Care Committee has issued an exposure draft of a proposed revised edition of *Audits of Providers of Health Care Services*. The draft includes changes necessary to conform the Guide to the provisions of FASB Statements No. 116 and 117 and other recently issued accounting and auditing pronouncements. (The changes were considered to be too substantive to be considered conforming changes that could be made without due process.) Comments on the proposed Guide are due by August 14, 1995.

**Proposed Effective Date** - Periods beginning after June 15, 1995.

**Status** - Exposure period runs until August 14, 1995.

**Contact** - Annette Schumacher (202-434-9212)

**Not-for-Profit Organizations - Proposed Audit and Accounting Guide** - The Not-for-Profit Organizations Committee has issued an exposure draft of a proposed revision and combination of the current industry audit Guides, *Audits of Colleges and Universities* and *Audits of Voluntary Health and Welfare Organizations* and the audit and accounting Guide, *Audits of Certain Nonprofit Organizations*. The draft includes changes necessary to conform the Guide to the provisions of FASB Statements No. 116 and 117 and other recently issued accounting and auditing pronouncements. (The changes were considered to be too substantive to be considered conforming changes that could be made without due process.) Comments on the proposed Guide are due by August 14, 1995.

**Proposed Effective Date** - Periods beginning after June 15, 1995.

**Status** - Exposure period runs until August 14, 1995.

**Contact** - Joel Tanenbaum (212-696-6164)

**Life and Health Insurance Entities - Proposed Audit and Accounting Guide** - A task force of the Insurance Companies Committee is preparing an exposure draft of a proposed Audit and Accounting Guide, *Life and Health Insurance Entities*. The proposed Guide would supersede *Audits of Stock Life Insurance Companies*. The FASB discussed the draft at a meeting on August 31, 1995 and voted not to object to issuance of the exposure draft, subject to editorial revisions. The proposed exposure draft has also been submitted to an Auditing Standards Board review task force which has also suggested revisions. The staff is currently revising the draft in response to those comments.

**Proposed Effective Date** - Not yet determined.

**Status** - Issuance of the exposure draft is expected in the Fall of 1995.

**Contact** - Elaine Lehnert (212-596-6160)

**Futures Commission Merchants and Commodity Pools - Proposed Audit and Accounting Guide** - The Stockbrokerage and Investment Banking Committee is continuing its development of an exposure draft of a proposed Audit and Accounting Guide for the commodities industry. The draft has not yet been submitted to any senior technical committees for clearance.

**Proposed Effective Date** - Not yet determined.

**Status** - Issuance of exposure draft is tentatively scheduled for 1996.

**Contact** - Al Goll (212-596-6161)

**Investment Companies - Proposed Revised Edition of Audit and Accounting Guide** - The Investment Companies Committee has undertaken a project to revise and update the Audit and Accounting Guide, *Audits of Investment Companies*. The committee is currently working on revision of several individual chapters of the Guide.

**Proposed Effective Date** - Not yet determined.

**Status** - Submission of a proposed exposure draft to senior technical committees for clearance is scheduled for late 1995.

**Contact** - Al Goll (212-596-6161)

**Real Estate Enterprises - Proposed Audit and Accounting Guide** - The Real Estate Committee has formed a task force to develop an Audit and Accounting Guide for real estate enterprises.

**Proposed Effective Date** - Not yet determined.

**Status** - The task force has developed a preliminary draft of the Guide and has engaged a consultant to assist in drafting the Guide.

**Contact** - Richard Stuart (212-596-6163)

#### **CONFORMING CHANGES TO EXISTING GUIDES:**

Conforming changes for SAS No. 73 *Using the Work of a Specialist* are reflected in the May 1995 looseleaf update of several of the following Guides. The following conforming changes have been proposed and submitted to the chairs of appropriate senior technical committees for approval:

- **Agricultural Producers** - conforming changes have been proposed for FASB Statement No. 109, FASB Statement No. 115, and FASB Statement No. 119.
- **Airlines** - conforming changes have been proposed for SOP 88-1 (integrate text of SOP into the Guide), FASB Statement No. 109, FASB Statement No. 115, and SOP 94-6.
- **Casinos** - conforming changes have been proposed for FASB Statement No. 109 and SSAE No. 2.
- **Construction Contractors** - conforming changes have been proposed for FASB Statement No. 109.
- **Credit Unions** - conforming changes have been proposed for FASB Statement No. 118 and FASB Statement No. 119.
- **Employee Benefit Plans** - conforming changes have been proposed for FASB Statement No. 119, SOP 94-4, and SOP 94-6.
- **Finance Companies** - conforming changes have been proposed for FASB Statement No. 118 and FASB Statement No. 119.
- **Oil and Gas Producers** - conforming changes have been proposed for FASB Statement No. 95, FASB Statement No. 109, and FASB Statement No. 119.
- **State and Local Governmental Units** - conforming changes have been proposed for GASB Statement Nos. 24 through 27, Revised Governmental Auditing Standards, and SAS No. 74.

These conforming changes will be incorporated into the looseleaf service upon approval.

**Contact** - Gerry Yarnall (212-596-6198)

#### **AUDIT RISK ALERTS:**

Audit Risk Alerts for employee benefit plans, not-for-profit organizations and state and local governmental units have been developed.

**Status** - These Audit Risk Alerts were issued in June 1995.

**Contact** - Gerry Yarnall (212-596-6198)

# 6

## CONTINUING PROFESSIONAL EDUCATION (CPE) ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date
Conferences	<i>Tax Strategies For The High Income Individual</i>	4/95
	<i>Marketing &amp; Managing A Tax Practice</i>	5/95
	<i>The CPA &amp; The Older Client</i>	5/95
	<i>1995 National Banking School</i>	5/95
	<i>Microcomputer Conference &amp; Exhibition</i>	6/95
	<i>National Conference On Divorce</i>	6/95
	<i>1995 National Tax Education School</i>	6/95
	<i>National Accounting &amp; Auditing Technical Symposium</i>	6/95
Self-Study Courses	<i>Accounting &amp; Auditing Update Workshop - 1995 Edition</i>	5/95
	<i>Auditing: The Complete Guidebook</i>	6/95
	<i>The Entrepreneur's Guide To Starting A Business</i>	5/95
	<i>Estate Planning For Second Marriages, Disabled Children &amp; Aging Parents</i>	5/95
	<i>Governmental Accounting &amp; Auditing Update (1995-96 Edition)</i>	6/95
	<i>Investment Strategies For Risk: Derivatives, Options, Straddles &amp; Other Hedges</i>	4/95
	<i>Meeting Today's Payroll Tax Challenges</i>	4/95
	<i>Preparing For Peer Review</i>	5/95

### SIGNIFICANT CONTINUING PROJECTS

**Proposed Courses - AICPA and FASB Joint Effort** — The AICPA and the FASB are discussing the possibility of working together to offer continuing education on accounting standards. Under one proposed arrangement, the FASB's staff would develop courses which the AICPA would market and distribute to CPAs.

**Status** — Four proposed topics for courses are being evaluated, from which one program will likely be selected to be developed in 1996.

**Contact** — Linda Lach (201-938-3571)

**Satellite TV network** - Westcott Communications, Inc., several state CPA societies, and the AICPA have established the *Accounting Television Satellite Network* (ATSN) to broadcast one day each month. A full range of subjects will be covered.

**Status** — Broadcasts began on June 28, 1995.

**Contact** — Linda Lach (201-938-3571)



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# 7

## QUALITY CONTROL ACTIVITIES

**Joint Task Force on Quality Control Standards** - The task force is considering possible revisions to Statement on Quality Control Standards No. 1, *System of Quality Control for a CPA Firm*, and its interpretations. The task force has concluded that two standards should be issued, rather than one with interpretations.

- ***System of Quality Control for a CPA Firm's Accounting and Auditing Practice*** (first standard)  
This is a general standard requiring a CPA firm to have a system of quality control for its accounting and auditing practice. It describes the elements of quality control and other matters essential to the effective implementation of the system. The standard proposes the current nine quality control elements be restructured into the following five elements: independence, integrity, and objectivity; personnel management; acceptance and continuance of clients and engagements; engagement performance; and monitoring.
- ***Monitoring a CPA Firm's Accounting and Auditing Practice*** (second standard) provides guidance on how a CPA firm can implement the monitoring element of a quality control system in its accounting and auditing practice.

**Proposed Effective Date** (for both standards) - January 1, 1997

**Status** - The task force presented drafts of the two standards to the Auditing Standards Board (ASB) at its June 1995 meeting. After discussion, the ASB unanimously approved the ballot on the exposure of the proposed standards with the understanding that certain suggested revisions would be incorporated. Subsequent to that meeting, the ASB approved the standards for exposure. The exposure draft was mailed on August 18, 1995, and the comment period will run through November 20, 1995.

**Contact** - Dale Atherton (201-938-3253)

# 8

## OTHER ACCOUNTING AND AUDITING ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date
N/A	<b>Integrated Practice System:</b> Quality Control Manual for CPA firms	6/95
N/A	<b>Checklists and Illustrative Financial Statements</b> College & Universities	6/95
	Defined Benefit Pension Plans	6/95
	Employee Health & Welfare Benefit Plans	6/95
	Health Care Providers	6/95
	Nonprofit Organizations	6/95
	State & Local Governmental Units	6/95

### SIGNIFICANT CONTINUING PROJECTS

**Technical Inquiries** - During the period April 1 - June 30, 1995, the AICPA's Technical Hotline received 10,866 telephone inquiries and 28 written inquiries on a variety of accounting and auditing topics were received.

**Contact** - Linda Volkert (201-938-3072)

**Integrated Practice System Manuals** - The annual update of the Not-for-Profit Organizations Audit Manual was completed and delivered to the printer. The remaining manuals were in the process of being updated: Comprehensive Engagement, Compilation and Review, Auto Dealership Engagement, Small Business Audit, Bank and Savings Institutions Audit, Credit Union Audit, and Construction Contractors Audit Manuals.

**Status** - The Not-for-Profit Manual was published in July 1995 and, for the remaining manuals, fall 1995.

**Contact** - Susan Menelaides (201-938-3058)

**Checklists and Illustrative Financial Statements** - Disclosure checklists for Banks, Construction Contractors, Corporations and Credit Unions are currently being updated.

**Status** - The expected publication dates for all checklists is fall 1995.

**Contact** - Karyn Waller (201-938-3060)

**Technical Practice Aids** - During the period covered by this report, the staff has substantially completed Phase I of the TPA update project, which deleted superseded Technical Inquiries and Replies. The next phase of the project will be to develop new TPAs that address a variety of practice issues.  
**Contact** - Linda Volkert (201-938-3072)

# 9

## INFORMATION TECHNOLOGY AND INFORMATION RETRIEVAL ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date
Software	ATB Write-Up 2.0	April 1995
Technology Alert	On-line Service Uses	June 1995
Technology Guide	Quick Response	June 1995
Financial Report Survey	Illustration of Accounting for Certain Investments in Debt and Equity Securities: A Survey of the Application of FASB Statement No. 115	

### SIGNIFICANT CONTINUING PROJECTS

**Information Technology - Accountants Forum.** The Accountants Forum, a national on-line computer network on CompuServe, was launched on June 30, 1995. The library section of the Forum features files of information (such as exposure drafts, nonauthoritative guidance, and other professional information) from the AICPA and approximately 30 participating state CPA societies. The message section provides an area for members to post and respond to public messages about accounting, auditing, tax, and other professional issues. The conference center allows for informal, on-line conversations; formal, moderated conferences; and private small-group on-line discussions. Enhancements being developed include an on-line catalog of publications and continuing professional educational offerings of the AICPA and participating organizations, a research database of authoritative literature, and links to other accounting-related databases on CompuServe and the Internet.

**Status** - The Forum was launched on schedule on June 30. Planned enhancements, including an AICPA site on the World Wide Web, will occur over the next six months.

**Contact** - Rich Walker (212-596-6008) and Hal Clark (201-938-3248).

**Information Technology Membership Section.** In conjunction with the AICPA's Computer Auditing Subcommittee and the Canadian Institute of Chartered Accountants, the Information Technology

Membership Section released a book on EDI installation, implementation, management, control, and audit issues in early July. The Information Technology Executive Committee is in the final stages of completion of an IT Division strategic plan.

**Contact** - Nancy Cohen (212 596-6010).

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# 10

## MANAGEMENT ACCOUNTING ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date
N/A	<i>The New Finance: A Handbook of Business Management</i>	June 1995

### SIGNIFICANT CONTINUING PROJECTS

**Best Practices Benchmarking Project** - This project continues to generate a significant amount of member interest; however, the division is disappointed that only a small percentage of companies that register to participate in the study actually follow through with data collection and ultimately get their final report. During the second quarter of 1995, 178 new companies joined the study. Of these, 38 have revenues in excess of \$1 billion, 25 have revenues between \$500 million and \$1 billion, 115 have revenues in the \$50 - 500 million range. We are currently developing a one-day conference program on Finance Best Practices to be offered in the Fall '95 in connection with the National Industry Conference, and repeated in November in Maryland.

**Contact** - John Morrow (212-596-6085)

**Future Vision Project** - The division hosted a workshop of senior finance executives, leading academics and consultants to develop a vision of financial management in the 21st century. This invitation-only event, titled *Mapping the Future of Financial Management*, did not conclude in a vision per se, however, three defining themes of the vision were identified: (1) information is the next competitive weapon, (2) technology is the primary driver, and (3) retooling and reskilling is necessary to add value in the future. The Vision Task Force is taking the information learned at the workshop and working to develop its vision of the future that will be used to help lead the AICPA membership practicing financial management to a role of strategic business partner in their organizations.

**Contact** - John Morrow (212-596-6085)

**Strategic Performance Measures (SPM) Project** - The SPM task force is also developing a one-day conference program to be offered in connection with the Fall '95 National Industry Conference and again in Maryland several weeks later. Additional projects will commence in the third quarter.

**Contact** - John Morrow (212-596-6085)

**Education & (Re)training Project.** A task force of the Management Accounting Executive Committee is studying issues of accounting education particularly relating to management accounting. As its first output, the task force is developing a white paper on accounting education to address the problem, skill set, avenues for achievement and barriers.

**Status** - The paper will be discussed by the executive committee at its September 1995 meeting. A final paper should be released by year-end.

**Contact** - John Morrow (212-596-6085)

**Guidance Materials** - In conjunction with the Society of Management Accountants of Canada was executed during the second quarter, and thus *The New Finance: A Handbook of Business Management* was made available for sale to the AICPA membership. The *Handbook* consists of a series of smaller publications addressing specific topics in the following categories: (1) Strategic Cost Management and Investment Justification, (2) Behavioral, Organizational and Performance Measurement, (3) The Manufacturing and Competitive Environment, and (4) Information Management.

**Contact** - John Morrow (212-596-6085)

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# 11

## MANAGEMENT CONSULTING SERVICES ACTIVITIES

Reference	Title	Issue Date
Spring 1995	CPA Management Consultant	June 1995

### SIGNIFICANT CONTINUING PROJECTS

**Practice Aid - Litigation Services Engagement Letters** - The practice aid provides non-authoritative guidance on what are some suggested elements to incorporate in a written communication to clients.

**Status** - The practice aid was published in July 1995.

**Contact** - Steven Sacks (201-938-3501)

**Practice Aid - Reporting for Litigation Services Engagements** - The practice aid addresses both oral and written communications by CPAs when serving the practitioner as a consultant or an expert witness. Illustrative appendices will be incorporated.

**Status** - The committee is expected to approve the draft for outside technical review in late summer. The practice aid is expected to be published in Winter 1996.

**Contact** - Steven Sacks (201-938-3501)

**Practice Aid - Fraud Investigation** - This practice aid provides non-authoritative guidance to the profession in understanding the CPA's role, opportunities and responsibilities in fraud-related matters in the context of litigation services and other related consulting engagements related to fraud issues.

**Status** - The draft is expected to be published in Winter 1996.

**Contact**- Monte Kaplan (201-938-3499)

**Practice Aid - Commercial Bankruptcy**- This practice aid provides information on the various aspects of bankruptcy, including the legal aspects, reorganization issues and consulting opportunities involved in bankruptcy services.

**Status** - Expected publication date is Winter 1996.

**Contact** - Monte Kaplan (201-938-3499)

**Practice Aid - Developing Business Plans**- This practice aid addresses concepts useful in an MCS engagement to assist clients in various aspects of business planning including how the engagement results might be documented in a written plan.



**Status**-The practice aid is expected to be published in Fall 1995.

**Contact**-Monte Kaplan (201-938-3499)

**Practice Aid - Improving Cash Management**- This practice aid contains information to assist practitioners in evaluating and improving a client's current cash management practices and provides techniques for doing so.

**Status**-This practice aid is expected to be published in Fall 1995.

**Contact**-Monte Kaplan (201-938-3499)

**CPA Expert Newsletter** - The MCS Division will publish the initial issue of a new quarterly newsletter *CPA Expert* designed for CPAs who provide business valuation and litigation services.

**Status** - The initial issue was mailed in mid-July.

**Contact** - Steven Sacks (201-938-3501)

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# 12

## PERSONAL FINANCIAL PLANNING ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date
None	Guide to Registering as an Investment Adviser	June 1995
None	1995 PFP Practice Handbook	June 1995

### SIGNIFICANT CONTINUING PROJECTS

#### **Proposed Statement on Responsibilities in PFP Practice on Developing a Basis for Recommendations -**

The proposed Statement has been revised based on review by the Division staff and the members of the PFP Executive Committee. The AICPA General Counsel recommended that the PFP Executive Committee defer issuing its exposure draft pending consideration of concerns raised.

**Proposed Effective Date** - N/A

**Status** - The PFP Executive Committee addressed those concerns in June 1995. An exposure draft will be issued in the third quarter of 1995.

**Contact** - Phyllis Bernstein (201-938-3808)

**Practice Aid - Planning for Distributions from Qualified Plans and IRAs** - The manuscript has been completed and is now undergoing staff review.

**Status** - The document will be published in October 1995 as a *PFP Library* volume.

**Contact** - Phyllis Bernstein (201-938-3808)

**White Paper - Compensation and Disclosure in PFP Practice.** The PFP Executive Committee drafted a paper encouraging fee-only practice and in working with the Ethics Division, AICPA General Counsel and PFP Practice Responsibilities Task Force to issuing the paper.

**Status** - The PFP Executive Committee reviewed a revised draft of the paper in June 1995.

**Contact** - Phyllis Bernstein (201-938-3808)

# 13

## PROFESSIONAL ETHICS ACTIVITIES

### DOCUMENTS ISSUED DURING THE PERIOD

Reference	Title	Issue Date
<b>Final Documents</b>		May 31, 1995
Withdrawal of Ethics Ruling No. 3 Under ET section 291 (ET§ 291.005-.006) (editorial)	<i>Controller, Preparation of Financial Statements</i>	
Withdrawal of Ethics Ruling No. 4 Under ET section 291 (ET§ 291.007-.008) (editorial)	<i>Two-Year Opinion-Prior Year Previously Unaudited</i>	May 31, 1995
<b>Exposure Drafts</b>		
None		

### SIGNIFICANT CONTINUING PROJECTS

**Omnibus Proposal of Professional Ethics Division Interpretations and Rulings** - On March 1, 1995, the Professional Ethics Executive Committee issued an exposure draft (ED) proposing revisions and/or additions to the *Code of Professional Conduct*. The comment deadline for the ED was May 31, 1995. At its June 1995 open meeting, the committee considered the comments received and agreed to publish the proposed interpretation under rule 102 - *Professional Services Involving Client Advocacy*, the proposed revision of Interpretation 102-2 - *Conflicts of Interest*, and the proposed ruling under rules 102 and 301 - *Member Providing Services for Company Executives*. The proposed revision of Interpretation 101-10 - *The Effect on Independence of Relationships With Entities Included in the Governmental Financial Statements* was referred back to the Independence/Behavioral Standards Subcommittee for modification, and will be reconsidered by the executive committee at its October 1995 open meeting.

**Proposed Effective Date** - The adopted changes to the Code will be published in the August 1995 Journal of Accountancy and will be effective the last day of the month.

**Contact** - Herb Finkston (201-938-3175) or Sue Coffey (201-938-3177)

***Omnibus Proposal of Professional Ethics Division Interpretations and Rulings*** - On July 19, 1995, the Professional Ethics Executive Committee issued an exposure draft (ED) proposing revisions and/or additions to the *Code of Professional Conduct*. The committee proposes a revision to the definition of *financial statements* as used throughout the *Code*, the adoption of an ethics ruling under rule 203 - *Applicability of Rule 203 to Members Performing Litigation Support Services*, a proposed ethics ruling under rule 102 - *Client Advocacy and Expert Witness Services*, and a proposed ruling under rule 101 - *Member's Indemnification of a Client*. The comment deadline for the ED is September 19, 1995. Comments will be considered by the committee at its October 1995 open meeting.

**Contact** - Herb Finkston (201-938-3175) or Sue Coffey (201-938-3177)

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