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# AcSec Update, Volume 1, Number 2, November 1996

American Institute of Certified Public Accountants. Accounting Standards Executive Committee

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# AcSEC UPDATE

A publication of the Accounting Standards Executive Committee of the AICPA

## EFFECTIVE DATES

SOP 95-3, *Accounting for Certain Distribution Costs of Investment Companies*, for years beginning after 12-31-95.

SOP 95-1, *Accounting for Certain Insurance Activities of Mutual Life Insurance Enterprises*, which is a companion pronouncement to FAS 120, *Accounting and Reporting by Mutual Life Insurance Enterprises and by Insurance Enterprises for Certain Long-Duration Participating Contracts*, for years beginning after 12-15-95.

SOP 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans*, for years beginning after 12-15-94. Application to investment contracts entered into before 12-31-93 was delayed to plan years beginning after 12-15-95.

SOP 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, for years beginning after 12-15-94. Application to not-for-profit organizations with less than $5 million in total assets and less than $1 million in total expenses was delayed to years beginning after 12-15-95

Accounting and financial reporting provisions of the following guides:

*Banks and Savings Institutions*, for financial statements issued for fiscal years ending after June 15, 1996, and for interim financial statements issued after intial application.

*Health Care Organizations*, for financial statements issued for fiscal years beginning after June 15, 1996, with earlier application permitted.

*Not-for-Profit Organizations*, for financial statements for periods ending on or after December 31, 1996.

## SOP ON ENVIRONMENTAL LIABILITIES ISSUED

AcSEC has issued SOP 96-1, *Environmental Remediation Liabilities (Including Auditing Guidance)* (product no. 013500). SOP 96-1 provides guidance on accounting for environmental remediation liabilities within the framework established by FASB Statement No. 5, *Accounting for Contingencies*. It includes benchmarks to aid in the determination of when environmental remediation liabilities should be recognized in accordance with FAS 5 and guidance on measurement, display, and disclosure of such liabilities. The SOP also includes, among other things, auditing guidance, a nonauthoritaive discussion of environmental laws, and a case study.

Significant changes from the ED include: the SOP is silent concerning inclusion of costs of defending against assertions of liability in the measurement of the liability; it allows the anticipation of certain changes in technology; and it requires undiscounted measurement of probable recoveries in certain circumstances.

The SOP is effective for fiscal years beginning after December 15, 1996, with earlier application encouraged.

**James F. Harrington Joins AcSEC**

Jim Harrington joins AcSEC as of September 30, 1996, replacing George P. Fritz. Jim has 30 years experience with Coopers & Lybrand. He was a practice partner in Atlanta for 19 years and transferred to C&L's national office in October 1994 as the Director of Accounting and SEC Technical Services

## OTHER AcSEC ACTIVITIES

At its September 10-11 and October 22-23 meetings, AcSEC approved letters of comment responding to —

- The Financial Accounting Standards Board's (FASB's) exposure draft (ED) of a proposed Statement, *Accounting for Derivative and Similar Financial Instruments and for Hedging Activities*

- The FASB's ED of a proposed Statement, *Elimination of Certain Disclosures about Financial Instruments by Small Nonpublic Entities*
- The FASB's ED of a proposed Statement, *Reporting Comprehensive Income*
- The International Accounting Standards Committee's (IASC's) ED of a proposed International Accounting Standard, *Presentation in Financial Statements*

## Upcoming AcSEC Meetings

AcSEC Meetings are open to the public. For AcSEC agenda information, call the AcSEC Telephone Line: (212) 596–6008.

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| January 29-31, 1997 | Scottsdale, AZ |
| March 11-12, 1997 | New York |
| May 6-7, 1997 | New York |

## NEW GUIDES FOR HEALTH CARE AND NOT-FOR-PROFIT ORGANIZATIONS ISSUED

The AICPA recently issued two new Audit and Accounting Guides, *Health Care Organizations* (product no. 012429) and *Not-for-Profit Organizations* (product no. 013166). Both Guides provide implementation guidance concerning FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*, and other new accounting guidance.

*Health-Care Organizations* supersedes the 1989 Guide *Audits of Providers of Health Care Services* and its related SOPs.

The Guide defines four types of operating structures that are found within the industry: (1) not-for-profit business-oriented organizations, (2) investor-owned health-care enterprises, (3) governmental health-care organizations, and (4) not-for-profit nonbusiness-oriented organizations. Specific reporting guidance is provided for each of the first three types of entities; not-for-profit nonbusiness-oriented organizations would follow the guidance in *Not-for-Profit Organizations*.

The Guide among other things —

- Recommends providing an income statement and a classified balance sheet.
- Encourages natural-class reporting on the face of the financial statements, with disclosure of functional details in the notes.
- Provides that donor-imposed restrictions on contributions of long-lived assets should be recognized when the assets are placed in service.
- Requires the reporting of a performance indicator and provides guidance on appropriate descriptive terms for the performance indicator.

*Not-for-Profit Organizations* supersedes *Audits of Voluntary Health and Welfare Organizations*, *Audits of Colleges and Universities*, *Audits of Certain Nonprofit Organizations*, and a number of related SOPs.

The Guide provides, among other things, that—

- A not-for-profit organization that is the beneficiary of a split-interest agreement and is also the trustee for the arrangement should recognize the assets held under the trust at fair value and a liability for the present value of the expected future cash payments to be made to other beneficiaries. Contribution revenue should be reported for the present value of the cash flows expected to be received by the organization. If the not-for-profit organization is not the trustee, it would be required to recognize contribution revenue and an asset representing its right to receive future cash flows.
- Contributions of inventory should be reported in the period received and should be measured at fair value.
- The financial statements should disclose total fund-raising expenses and provide information about program expenses.

The Guides also include guidance for auditors who perform audits of financial statements prepared in conformity with the principles prescribed by the Guides.

## To order copies of AcSEC Pronouncements

**Write:** AICPA Order Department, NQ, P.O. Box 2209, Jersey City, NJ 07303–2209; **order via fax,** 800–362–5066; or **call** 800–862–4272 (option #1). Ask for Operator NQ. Orders for exposure drafts must be written or faxed.

**Editor: Frederick Gill**

**Administrative Editor: Sharon Macey**

# AcSEC AGENDA PROJECTS

| As of October 31, 1996 | 1996 4Q | 1997 1Q | 1997 2Q | 1997 3Q |
|---|---|---|---|---|
| **General Applicability** | | | | |
| Guaranty Fund and Certain Other Assessments—SOP (page 4) | E | | | |
| Internal-Use Software—SOP (page 5) | E | | | |
| Start-Up Costs—SOP (page 7) | | | E | |
| **Credit Unions & Finance Companies** | | | | |
| Banks and Savings Institutions, Credit Unions and Finance Companies—Guide (page 7) (Timing to be determined) | | | | |
| **Computer Software Industry** | | | | |
| Software Revenue Recognition—SOP (page 6) | | | F | |
| **Employee Benefits Plans** | | | | |
| Certain Employee-Benefit-Plans Issues—SOP (page 4) | | | E | |
| **Financial and Commodities Trading and Investment Industries** | | | | |
| Brokers and Dealers in Securities —Guide (page 7) | F | | | |
| Investment Companies—Guide (page 8) | | | E | |
| **Health Care Industry** | | | | |
| Prepaid Health Care—SOP (page 6) | | | E | |
| **Insurance Industry** | | | | |
| Deposit Accounting for Certain Insurance and Reinsurance Contracts—SOP (page 4) | | E | | |
| Life and Health Insurance Entities—Guide (page 8) | | E | | |
| Accounting for Surplus Notes—PB (page 7) | | P | | |
| Prepaid Health Care—SOP (page 6) | | | E | |
| **Motion Picture Industry** | | | | |
| Motion Pictures—SOP (page 5) | | E | | |
| **Not-for-Profit Organizations and Governments** | | | | |
| Joints Activities of Not-for-Profit Organizations and State and Local Governmental Entities —SOP (page 5) | | F | | |
| **Real Estate Industry** | | | | |
| Real Estate Entities—Guide (page 8) (Timing to be determined) | | | | |
| Real Estate Joint Ventures—SOP (page 6) | | | E | |
| Participating Mortgages—SOP (page 6) | | F | | |

**Codes: E—Exposure Draft**
**F—Final Pronouncement**
**P—Practice Bulletin**

## AcSEC's CURRENT SOP PROJECTS

As of October 31, 1996

***Application of Deposit Accounting to Certain Insurance and Reinsurance Contracts*** (Staff: Elaine Lehnert). FASB Statement No. 113, *Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts*, and the resolution of EITF Issue 93-6, *Accounting for Multiple-Year Retrospectively Rated Reinsurance Contracts by Ceding and Assuming Enterprises*, and EITF Issue 93-14, *Accounting for Multiple-Year Retrospectively Rated Insurance Contracts by Insurance Enterprises and Other Enterprises*, have heightened awareness about and provided specific guidance on when deposit accounting should be applied to insurance and reinsurance contracts. The existing guidance on how to apply deposit accounting, however, does not address many of the situations in which deposit accounting is required for reinsurance and insurance contracts, and no clear intuitive way exists to apply deposit accounting to many of those contracts. This SOP would provide guidance on how to apply deposit accounting to reinsurance and insurance contracts; it will not address the circumstances under which deposit accounting should be applied to such contracts.

In the discussions to date, AcSEC reached the following conclusions:

- The project would apply to entities that enter into insurance and reinsurance contracts that do not indemnify against both underwriting risk and timing risk. However, long-duration life and health insurance contracts that do not indemnify against mortality or morbidity risk would be excluded from the scope of this project because FASB Statements No. 97 and No. 113 provide guidance.
- Once a loss is incurred that will be reimbursed under a reinsurance or insurance contract that transfers significant underwriting risk only, the deposit would be measured by the present value of expected future cash flows discounted at the current risk-free rate available in the market adjusted for default risk. This rate would be used for the remaining life of the contract.

AcSEC approved this SOP for exposure for public comment, subject to FASB clearance, at its October 23, 1996 meeting.

***Employee Benefit Plans***. (Staff: To be determined) This project would amend the Audit and Accounting Guide *Audits of Employee Benefit Plans* and SOP 92-6, *Accounting and Reporting by Health and Welfare Benefit Plans*. The project currently consists of three portions, which may be combined into a single SOP. They address—

- Issues related to employee health-and-welfare benefit plans that were not prevalent when SOP 92-6 was issued, including cost-sharing arrangements and amendments of plans to reduce benefits.
- The accounting for and disclosure of features of defined-benefit pension plans, provided pursuant to section 401(h) of the Internal Revenue Code, that allow sponsors of defined-benefit pension plans to fund a portion of their postretirement medical obligations related to their health-and-welfare benefit plans through their defined-benefit pension plans. The project would provide guidance for reporting by both defined-benefit pension plans and health-and-welfare benefit plans.
- The presentation in defined-benefit pension plan financial statements of information about investments in master trusts, and disclosure by all kinds of employee-benefit plans of investments in bank common and collective trusts, insurance-company pooled separate accounts, and shares of registered investment companies. In a related development, AcSEC has asked the Employee Benefit Plans Committee to include in its SOP project a proposal to eliminate the requirement for defined-contribution pension plans to report separate investment fund option information as required by Practice Bulletin 12, *Reporting of Separate Investment Fund Option Information by Defined-Contribution Pension Plans*.

At its April 23-24 meeting, AcSEC voted to expose the draft SOP, subject to FASB clearance. The FASB discussed the first issue above at its September 18 meeting but did not clear the proposed conclusions. Revised conclusions will be resubmitted to AcSEC and FASB for clearance.

***Guaranty-Fund and Certain Other Insurance-Related Assessments*** (Staff: Elaine Lehnert) This proposed SOP would provide guidance on accounting by insurance and other enterprises for guaranty-fund and certain other insurance-related assessments. Among the key issues are what event or events trigger a liability (e.g., the insolvency or the writing of the premium), whether the liability should be discounted, and whether state premium tax credits should be offset against the assessment during measurement.

The proposed SOP would provide:

- Guidance for determining when an insurance or other enterprise should recognize a liability for guaranty-fund and other insurance-related assessments.
- Guidance on how to measure the liability, which would allow for the discounting of the liability if the amount and timing of the cash payments are fixed and reliably determinable.
- Criteria for when an asset may be recognized for a portion or all of the assessment liability or paid assessment that can be recovered through premium tax offsets or policy surcharges.
- Requirements for disclosure of certain information.

In January 1995, AcSEC voted to approve an exposure draft of a proposed SOP that contained a two-event approach to liability recognition. Under this approach, a liability would be recognized when premiums associated with an assessment have been written and the insolvency has occurred. At its June 26, 1996 meeting, the FASB did not object to the issuance of the exposure draft, subject to certain revisions. The ED should be available by early November.

***Internal-Use Software*** (Staff: Daniel Noll). The Chief Accountant of the SEC asked the FASB's Emerging Issues Task Force (EITF) to develop guidance addressing the diversity in practice in accounting for the costs of computer software purchased or developed for internal use. The EITF and AcSEC agreed that AcSEC would be better suited to handle this topic.

In April 1996, AcSEC voted to expose the proposed SOP, subject to FASB clearance. At its September 18, 1996 meeting, the FASB did not object to the issuance of the ED, subject to certain revisions. The ED should be published in December.

The proposed SOP would specify the characteristics of computer software that is considered to be internal-use software and would require the following:

- External direct costs of materials and services consumed in developing or obtaining internal-use computer software, payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project, and interest costs incurred in developing computer software for internal use should be capitalized as a long-lived asset. Computer software costs that are research and development should be expensed as they are incurred in accordance with the provisions of FASB Statement No. 2, *Accounting for Research and Development Costs*.
- Proceeds received from the sale of computer software developed or obtained for internal use should be applied against the carrying amount of that software. No profit should be recognized until aggregate proceeds from sales exceed the carrying amount of the software.

***Joints Activities of Not-for-Profit Organizations and State and Local Governmental Entities*** (Staff: Joel Tanenbaum). This proposed SOP would supersede SOP 87-2, *Accounting for Joint Costs of Informational Materials and Activities of Not-for-Profit Organizations That Include a Fund-Raising Appeal*, which has been perceived to be difficult to implement and to be applied inconsistently in practice. It uses the model in SOP 87-2 as a starting point and clarifies guidance that was unclear, provides more detailed guidance, revises some guidance, and expands the scope to include all costs of joint activities, not only joint costs of joint activities.

This proposed SOP would apply to all not-for-profit organizations and state and local governmental entities that are required to report fund-raising expenses or expenditures, including entities that report such amounts by function.

This proposed SOP would require—

- That if the criteria of purpose, audience, and content as defined in this proposed SOP are met, the costs of joint activities that are identifiable with a particular function should be charged to that function and joint costs should be allocated between fund raising and the appropriate program or management and general function.
- That if any of the criteria of purpose, audience, and content is not met, all costs of the activity should be reported as fund-raising costs, including costs that are otherwise identifiable with program or management and general functions.
- Certain financial statement disclosures if joint costs are allocated.

Some commonly used and acceptable allocation methods are described and illustrated though no methods are prescribed or prohibited.

This proposed SOP would be effective for financial statements for years beginning on or after its issuance date. Earlier application would be encouraged for fiscal years for which financial statements have not been issued.

AcSEC approved the SOP at its October meeting, subject to FASB clearance.

***Motion Pictures***. (Staff: Richard Stuart) This project, which was undertaken by AcSEC at the request of the FASB, is a comprehensive reconsideration of the accounting for motion pictures.

Since the issuance of FASB Statement No. 53, *Financial Reporting by Distributors and Producers of Motion Picture Films*, in 1981, the industry has undergone substantial changes. For instance, new forms of distribution such as videocassettes, cable television, and pay-per-view television have been introduced or have increased markedly in significance. Additionally, foreign markets have increased in significance.

AcSEC has held preliminary discussions of a draft SOP on accounting by producers and distributors of films. Tentative conclusions reached by AcSEC include:

- Revenue should be recognized when (a) persuasive evidence of a sale or licensing agreement with a customer exists, (b) the entity has complied with the terms of the arrangement regarding delivery, (c) the film is available for initial exhibition or exploitation, (d) the fee is fixed or determinable, and (e) collection is probable.
- Costs to produce and exploit a film would be capitalized and amortized, using the individual-film-forecast method, over the shorter of (a) the expected life of the film or (b) 10 years.
- All estimates should be reviewed periodically and revised when necessary to reflect the most current available information. The effects of changes in estimates should be accounted for currently and prospectively.
- Unamortized film costs should be compared with net realizable value each reporting period on a film-by-film basis. If remaining ultimate gross revenues from a film are not sufficient to recover the sum of unamortized ultimate film costs and unaccrued ulti-

mate participation costs, the unamortized film costs should be written down to net realizable value.

- Capitalized costs of film projects that are abandoned would be expensed in the period in which the decision to abandon the project is made.
- Losses generated by episodic television programming would be recognized on a pro rata basis as each episode is delivered.
- FASB Statement No. 34, *Capitalization of Interest Cost*, would be applied to television programming.

A draft SOP will be discussed at the January AcSEC meeting.

***Participating Mortgages*** (Staff: Richard Stuart). This proposed SOP would provide guidance on the 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 the mortgaged real estate project, or both. AcSEC added this project to its agenda in 1981.

An exposure draft was issued in July 1995. AcSEC discussed the comments received on the exposure draft at its March 1996 meeting and approved the proposed SOP for final issuance, subject to revisions and FASB clearance.

The proposed SOP provides that —

- The borrower should determine the fair value of the participation feature at the inception of the loan and should recognize a participation liability for that amount, with a corresponding debit to a debt-discount account. The debt discount should be amortized prospectively by the interest method, using the effective interest rate.
- Interest expense in participating mortgage loans would consist of three components:
  a. Amounts designated in the mortgage agreement as interest
  b. Amounts related to the lender's participation in operations
  c. Amounts representing amortization of the debt discount related to the lender's participation in appreciation
- At the end of each period, the participation liability would be remeasured at fair value, with a corresponding debit or credit to the related debt-discount account. The revised debt discount would be amortized prospectively, using the effective interest rate.

***Prepaid Health Care Costs*** (Staff: Elaine Lehnert and Joel Tanenbaum) This project is being undertaken by a joint task force of the AICPA Health Care Committee and the AICPA Insurance Companies Committee in response to recent structural and operational changes occurring throughout the health-care and insurance industries. The proposed SOP would address whether substantive differences in accounting for similar transactions entered into by health-care organizations and insurance organizations should continue. The proposed SOP would amend the Audit and Accounting Guide *Health Care Organizations* and SOP 89-5, *Financial Accounting and Reporting of Prepaid Healthcare Services*, and it could amend *Audits of Stock Life Insurance Companies*.

In late May 1996, the FASB did not object to AcSEC's prospectus for this project. AcSEC is expected to discuss key issues in the first quarter of 1997.

The SOP would apply to all nongovernmental entities and potentially to certain governmental entities.

***Real Estate Joint Ventures*** (Staff: Richard Stuart). This proposed SOP would supersede portions of SOP 78-9, *Accounting for Investments in Real Estate Ventures*. AcSEC added this project to its agenda in 1991 in response to inconsistent practice, especially in the area of loss recognition, and a lack of guidance on reporting on unincorporated ventures. AcSEC approved a draft SOP for public exposure, subject to revisions and FASB clearance.

The FASB did not clear the draft for exposure. The Real Estate Committee is undertaking a redrafting of the SOP.

***Software Revenue Recognition*** (Richard Stuart). This proposed SOP would supersede SOP 91-1, *Software Revenue Recognition*. Since the issuance of SOP 91-1, practice issues have been identified that AcSEC believes are not adequately addressed in SOP 91-1. In addition, AcSEC believes some of the guidance in SOP 91-1 should be amended.

Significant changes from SOP 91-1 would include:

- For arrangements including multiple products or services (multiple elements), the license fee should be allocated to the various elements based on vendor-specific objective evidence of fair value, regardless of any separate prices stated in the agreement. If sufficient vendor-specific objective evidence does not exist to make this allocation, all revenue from the arrangement should be deferred until such evidence does exist. (The proposed SOP lists certain exceptions to this guidance.)
- Revenue allocated to a particular element should be recognized upon delivery of the element, provided that collectibility is probable, the fee is fixed or determinable, and persuasive evidence of an agreement exists. If there are undelivered elements that are essential to the functionality of delivered elements, delivery is considered not to have occurred. Therefore, revenue would not be recognized for any element. Additionally, if the portion of the fee attributable to the delivered elements is subject to forfeiture, refund, or other concession if undelivered elements are not delivered, no portion of the fee meets the criterion of collectibility. Therefore, revenue would not be recognized, even for elements that have been delivered.

An exposure draft was issued on June 14, 1996, with a comment period expiring on October 14, 1996. AcSEC is scheduled to discuss the project at its January meeting. A final SOP is expected to be issued in the second quarter of 1997.

***Start-Up Costs*** (Staff: Daniel Noll). An AcSEC task force has developed a proposed SOP on accounting for the costs of start-up, preopening, and preoperating activities.

At its April 1996 meeting, AcSEC discussed an initial draft of an SOP that would prescribe the accounting for the costs of start-up activities. AcSEC tentatively concluded that organization costs would be excluded from the project's scope. A revised draft is tentatively scheduled to be discussed by AcSEC in January 1997.

## AGENDA DECISIONS

In September, the Planning Subcommittee (PSC) of AcSEC performed a sunset review of projects on AcSEC's agenda and determined that —

- The Current Value Task Force of the AICPA Real Estate Committee should terminate its project to develop an SOP on Supplemental Current Value Reporting for Real Estate Companies
- AcSEC's Task Force on Real Estate Acquisition, Development and Construction should terminate its efforts to develop an SOP on Real Estate Loans that Qualify as Investments in Real Estate
- The efforts of the Stockbrokerage and Investment Banking Committee that would provide guidance on futures commission merchants and commodity pools should stop. The committee will discuss the nature of the guidance required with the PSC to enable a reconsideration of the project.

The PSC also approved projects to develop —

- A Practice Bulletin (PB) to provide explicit guidance on how to account for surplus notes, which are instruments unique to the insurance industry. These instruments have characteristics of both debt and equity. A draft prospectus and PB was discussed by AcSEC at its October meeting. AcSEC approved a PB, subject to FASB clearance, that would require insurance companies that issue surplus notes to record those notes as liabilities.
- An SOP on the recognition, measurement, and disclosure of liabilities for environmental, asbestos, and mass tort exposures in the financial statements of insurance enterprises. Due to the number of projects on the Insurance Companies Committee's agenda, however, work on this project will be postponed.

At its September meeting, AcSEC reviewed a draft SOP intended to resolve inconsistencies between the *Banks and Savings Institutions* Audit and Accounting Guide and the Audit and Accounting Guide *Audits of Brokers and Dealers in Securities* concerning recognition of securities-contracts transactions at trade date or settlement date. AcSEC agreed that the minor differences in the accounting followed by those industries have roots in larger issues of control and transfer of control as established by FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, and in the accounting for a forward contract. AcSEC agreed that the FASB should address this issue.

## AUDIT AND ACCOUNTING GUIDE PROJECTS IN PROCESS

Currently, five existing AICPA Audit and Accounting Guides (Guides) (for brokers and dealers in securities, credit unions, finance companies, investments companies, and life and health insurance entities) are being completely revised, and one Guide is being developed for an industry for which there previously was no Guide (for real estate entities). In addition, the PSC has approved a project to revise the Construction Contractors Guide and potentially the Guide for Federal Government Contractors.

***Brokers and Dealers in Securities*** The 1985 *Audits of Brokers and Dealers in Securities* would be replaced. The proposed Guide would require two changes in financial reporting:

- It would prohibit combining subordinated debt with stockholders' equity.
- It would require that delayed-delivery transactions be reported in the statement of condition on the settlement (delivery) date instead of the trade date.

The changes would be effective for annual financial statements issued for fiscal years beginning after December 31, 1996, and for interim financial statements issued after initial application of the proposed Guide, with earlier application permitted. Restatement of comparative annual financial statements presented for earlier periods would be recommended but not required.

***Credit Unions and Finance Companies*** The existing Guides *Audits of Credit Unions* and *Finance Companies* would be replaced. This project is being undertaken to conform appropriate accounting provisions of the existing Guides to the new Guide *Banks and Savings Institutions*, and to incorporate the credit union and finance companies guidance in the existing Guide into *Banks and Savings Institutions*, provided that the combined Guide could be made sufficiently user friendly.

***Futures Commission Merchants and Commodity Pools*** The proposed Guide would revise and expand the guidance on commodity futures and option transactions in the current edition of the broker-dealer Guide. This project is being undertaken in response to the evolution of dealers in commodity futures and options into an industry separate from the broker-dealer industry, to the significant growth of this new industry, and to the expansion of the array of products offered by the industry to include various financial instruments, energy products, and foreign currencies. (See Agenda Decisions on page 7).

***Investment Companies*** *Audits of Investment Companies*, which was issued in 1986 and which since then has been updated only for conforming changes, would be replaced. The draft being developed by the AICPA Investment Companies Committee will address how to enhance the usefulness of investment company financial statements to their users.

Among the accounting and reporting issues to be addressed are the level of detail that investment companies should report on their investments and issues concerning investment companies with complex capital structures, such as multiple-class and master-feeder investment companies. The Guide will differentiate accounting and reporting requirements that apply to all investment companies from those that are, in addition, required for SEC registrants.

***Life and Health Insurance Entities*** *Audits of Stock Life Insurance Entities*, which was issued in 1972, would be replaced. The proposed Guide would establish no new accounting guidance; it would, however, establish expanded or new audit requirements in certain areas.

***Real Estate Entities*** This proposed Guide would compile existing accounting and auditing guidance that is of particular significance to preparers and auditors of financial statements of real estate entities.

The Real Estate Committee has been asked to identify issues that have arisen in practice and require resolution. A revised prospectus will be considered by the PSC.

## AcSEC Telephone Line and AICPA Web Site

The AcSEC Telephone Line announces upcoming AcSEC meetings and most recent AcSEC publications. The line is accessible 24 hours a day and can be reached by calling from a touch-tone phone (212) 596-6008.

Also look for information about AcSEC activities on the recently launched AICPA Web Site, "AICPA Online." The AICPA Web site address is: http://www.aicpa.org.

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## Comments or Suggestions?

We would welcome any comments or suggestions you may have concerning this publication. Write to Frederick Gill at AICPA, 1211 Avenue of the Americas, New York, NY 10036–8775 (fax 212–596–6064).

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