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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 initial 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.

Practice Bulletin 15, *Accounting by the Issuer of Surplus Notes*, is effective for financial statements for fiscal years beginning after December 15, 1995.

KAPLAN NEW AcSEC CHAIR, CROOCH NEW IASC REP

David B. Kaplan will succeed G. Michael Crooch as Chair of AcSEC, beginning in October.

Kaplan, a partner and Associate National Director of Accounting Services at Price Waterhouse LLP in New York, is currently a member of AcSEC and of AcSEC's Planning Subcommittee.

Kaplan joined PW in 1976 and was admitted to partnership in 1987. He is responsible for comanaging PW's Accounting Services Department, which is the primary decision-making authority at PW with respect to the firm's position on accounting and financial reporting matters.

Previously, Kaplan was a client-service partner in the Boston office of PW and the Northeast Region's Risk Management Partner, specializing in multinational high-technology and high-growth clients.

Kaplan earned an MS degree in business administration and a BS in accounting from the University of Massachusetts.

Crooch, who will complete his three-year term as AcSEC Chair, will become an AICPA delegate to the International Accounting Standards Committee in July.

PB ON SURPLUS NOTES ISSUED

In January 1997, AcSEC issued Practice Bulletin (PB) 15, *Accounting by the Issuer of Surplus Notes* (product no. 033161). The PB provides that surplus notes, which are a kind of financial instrument issued by insurance enterprises, should be accounted for as debt instruments and presented as liabilities in the financial statements of the issuer.

Interest on surplus notes should be accrued over the life of the surplus note, irrespective of the approval of interest and principal payments by the insurance commissioner, and recognized as an expense in the same manner as other debt. The commissioner's role and ability to approve or disapprove any interest and principal payments should be disclosed, however.

The PB is effective for fiscal years beginning after December 15, 1995; transition requires retroactive restatement.

OTHER AcSEC ACTIVITIES

As one of the founding members of the International Accounting Standards Committee (IASC), the AICPA has used its best efforts in supporting the IASC's work since 1973. Commenting on IASC proposals continues to be a significant AcSEC activity. The AICPA also has a broader role in the IASC, as the AICPA appoints one of the two U.S. delegates to the IASC and provides the technical adviser to the U.S. delegation.

At its January 29-31 meeting, AcSEC approved a letter of comment on the IASC's ED of a proposed International Accounting Standard, *Employee Benefits*. AcSEC plans to comment on the following other IASC projects that are expected to be exposed this year:

Exposure drafts expected to be issued in the second quarter

- Impairment
- Leases

Exposure drafts expected to be issued in the third quarter

- Intangibles, including research and development
- Goodwill
- Discontinued operations
- Interim financial reporting
- Provisions and contingencies

Exposure drafts expected to be issued in the fourth quarter

- Financial instruments
- Agriculture

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.

Upcoming AcSEC Meetings

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

May 6–7, 1997	New York
June 10–12, 1997	New York
July 29–30, 1997	San Francisco

AcSEC's CURRENT SOP PROJECTS

As of April 15, 1997

Accretion of Discounts on Loans and Securities (Staff: James Green) FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*, requires that discounts on originated or purchased loans or securities be recognized as an adjustment of yield over an instrument's life. PB 6 further addresses accretion of discounts, which involves intertwining issues of accretion of discount, measurement of credit losses, and recognition of interest income. This project will consider whether PB 6's objectives and guidance continue to be relevant given a number of FASB pronouncements issued subsequent to PB 6 to address various related issues.

The proposed SOP would address:

- Initial measurement of discounts, including whether some or all discount should be classified as an allowance for credit losses when that discount is not expected to be accreted because related contractual cash flows are not expected to be collected.
- Subsequent measurement, including when the discount should or should not be accreted and the effects of accretion of subsequent changes in expected future cash flows.
- Whether loans purchased at a discount related to credit quality should be considered impaired at acquisition for purposes of measurement, disclosure, or both.
- Criteria to distinguish between loans originated and loans purchased.

The FASB discussed the prospectus for the project at its February 12 meeting and did not object to AcSEC's proceeding with the project.

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 FASB Emerging

continued on page 4

Editor: Frederick Gill
Administrative Editor: Sharon Macey

AcSEC AGENDA PROJECTS

As of April 15, 1997	1997 2Q	1997 3Q	1997 4Q	1998 1Q
General Applicability				
Guaranty Fund and Certain Other Assessments—SOP (page 4)			F	
Internal-Use Software—SOP (page 4)			F	
Start-Up Costs—SOP (page 6)	E			F
Credit Unions & Finance Companies				
Accretion of Discounts –SOP (page 2)			E	
Banks and Savings Institutions, Credit Unions and Finance Companies—Guide (page 7)				E
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 7)		E		
Health Care Industry				
Certain Managed Care—SOP (page 6)			E	
Insurance Industry				
Deposit Accounting for Certain Insurance and Reinsurance Contracts—SOP (page 2)	E			
Life and Health Insurance Entities—Guide (page 7)		E		
Mass Tort Exposure—PB (page 5)			E	
Certain Managed 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) (Timing to be determined)				
Participating Mortgages—SOP (page 6)	F			

Codes: E—Exposure Draft
F—Final Pronouncement

Issues Task Force (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 or 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:

- All entities that enter into insurance and reinsurance contracts that do not indemnify against both underwriting risk and timing risk would be included in the project's scope. 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.

At its March 12, 1997 meeting, the FASB did not object to the issuance of the exposure draft, subject to certain revisions. The exposure draft should be available in the second quarter of 1997.

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 addresses–

- 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 types of employee benefit plans of investments in bank common and collective trusts, insurance-company pooled separate accounts, and shares of registered investment companies.
- Elimination of the requirement for defined contribution pension plans to report separate investment fund option information as required by PB 12, *Reporting of Separate Investment Fund Option Information by Defined-Contribution Pension Plans*.

At its April 23-24, 1996 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 clearance by the FASB is expected in the third quarter.

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. Many states have established funds that levy assessments against enterprises for funding such items as insolvencies for insurance enterprises and second-injury funds. In addition, the SOP applies to enterprises that "self insure" against loss or liability. Practice in accounting for such assessments is currently diverse. 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.

An exposure draft was issued on December 5, 1996, with a comment period expiring on March 5, 1997. AcSEC is scheduled to discuss the project at its May and June meetings. A final SOP is expected to be issued in the third quarter of 1997.

Internal-Use Software (Staff: Daniel Noll). The Chief Accountant of the SEC asked the 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.

In December 1996, AcSEC released an exposure draft of a proposed SOP *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. The proposed SOP would apply to all non-governmental entities. The comment deadline is April 17, 1997.

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). AcSEC added this project to its agenda at the request of the Not-for-Profit Organizations Committee. SOP 87-2, *Accounting for Joint Costs of Informational Materials and Activities of Not-for-Profit Organizations That Include a Fund-Raising Appeal*, has been perceived to be difficult to implement and to be applied inconsistently in practice. This SOP 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 SOP will apply to all not-for-profit organizations (NPOs) and state and local governmental entities that are required to report fund-raising expenses or expenditures, including entities that report such amounts by function. It will supersede SOP 87-2.

This SOP will require–

- That if the criteria of purpose, audience, and content as defined in this 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, except for costs of goods or services provided in exchange transactions.
- 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 SOP will be effective for financial statements for years beginning on or after December 15, 1997. Earlier application will be encouraged for fiscal years for which financial statements have not been issued.

The FASB cleared the SOP for issuance, subject to certain revisions. It is expected to be issued in the third quarter of 1997.

Mass Tort Exposure of Insurance Enterprises (Staff: Elaine Lehnert). This proposed SOP would–

a. Include guidance on specific accounting issues that are present in the recognition of the various components of liabilities for mass tort exposures, including environmental and asbestos claims, in the financial statements.
b. Address how the various components of mass tort exposures liabilities are measured.
c. Consider applying present-value concepts to mass tort exposure liabilities.
d. Include an educational discussion of the various methodologies and assumptions that are used to estimate mass tort exposure liabilities.
e. Specify the disclosures to be provided in the notes to the financial statements for insurance enterprises.

Expansion of this project into an SOP that provides auditing guidance in addition to accounting guidance is not precluded.

On February 12, 1997, the FASB did not object to AcSEC's prospectus for this project.

Motion Pictures (Staff: Richard Stuart) This project was undertaken by AcSEC at the request of the FASB.

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 continued its consideration of a proposed SOP *Accounting by Producers and Distributors of Motion Pictures* at its January 1997 meeting. Considerable discussion focused on the minority view drafted by certain members of AcSEC who had concerns about previous tentative conclusions reached by AcSEC. A sense of AcSEC indicated that there was insufficient support for the tentative package of conclusions. It was agreed that the project would be divided into two stages. The first stage has as its objective the issuance of an SOP that will interpret FASB Statement No. 53 and address areas in which there is diversity in practice. The second stage will reconsider the overall model for accounting for motion pictures. AcSEC is scheduled to discuss the first stage at its May 1997 meeting.

Participating Mortgages (Staff: Richard Stuart). This SOP will 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.

The 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 will 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 will be remeasured at fair value, with a corresponding debit or credit to the related debt-discount account. The revised debt discount should be amortized prospectively, using the effective interest rate.

In February 1997, the FASB did not object to issuance of a final SOP. The SOP is expected to be issued in the second quarter of 1997. It will be effective for financial statements issued for fiscal years beginning after June 30, 1997. The effect of the initial application of the provisions of the SOP should be reported as a cumulative effect of a change in accounting principles. Presentation of pro forma effects of retroactive application is not required. Restatement is not permitted.

Certain Managed Care Arrangements. (Staff: Joel Tanenbaum) This project (which was referred to previously as Predetermined Health Care Arrangements) 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 it could amend *Audits of Stock Life Insurance Companies*.

AcSEC discussed key issues in the first quarter of 1997 and will discuss a draft SOP in May 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 (Staff: 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.

Start-Up Costs (Staff: Daniel Noll). AcSEC released an exposure draft of a proposed SOP *Reporting on the Costs of Start-Up Activities* in the second quarter of 1997. The proposed SOP, which would apply to all nongovernmental entities, would require that entities expense all costs of start-up activities as they are incurred. The comment deadline is July 22, 1997.

AGENDA DECISIONS

In December, the Planning Subcommittee (PSC) of AcSEC approved a prospectus to develop an SOP that will address accretion of purchase discounts on loans and securities. See page 2.

In January, the PSC approved a prospectus to develop an SOP that will address the accounting for real estate time-share arrangements. Among the issues to be addressed are–

- Revenue recognition methods (e.g., full accrual, percentage of completion).
- Determining cancellation reserves.
- Selling costs that may be deferred in accordance with paragraph 18 of FASB statement No. 67.

In March, the PSC decided to prepare an SOP that would amend the broker-dealer guide to extend explicitly its guidance to commodity pools and futures commission merchants. The proposed SOP would also include illustrative financial statements.

The proposed Audit and Accounting Guide for futures commission merchants and commodity pools would become an Audit Guide, with extracts of the accounting guidance in the broker-dealer Guide and illustrative financial statements included in an appendix.

The prospectuses for the projects on accretion of purchase discounts and real-estate timesharing arrangements have been cleared by the FASB; the prospectus for the project on commodity pools and futures commission merchants has not yet been submitted to the FASB.

AUDIT AND ACCOUNTING GUIDE PROJECTS IN PROCESS

AICPA Audit and Accounting Guides (Guides) point out guidance in other authoritative literature that preparers and auditors of financial statements of entities covered by those Guides should be aware of, and they often explain or illustrate such guidance. In addition, Guides often establish guidance on accounting issues not addressed in other authoritative literature.

Guidance in AICPA Guides that is based on guidance in other authoritative accounting and auditing literature is continually updated for "conforming changes"—changes in the authoritative literature upon which the guidance is based. In addition, Guides are revised completely when a need arises.

Currently, five existing Guides (for brokers and dealers in securities, credit unions, finance companies, investment companies, and life and health insurance entities) are being 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* will be replaced. The new Guide (product no. 012179), which should be available in late May, will require two changes in financial reporting:

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

The changes will be effective for annual financial statements issued for fiscal years beginning after December 15, 1997, and for interim financial statements issued after initial application of the Guide, with earlier application permitted. Restatement of comparative annual financial statements presented for earlier periods will 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 would revise and expand the audit 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 and to the significant growth of this new industry. (See Agenda Decisions).

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 seeks 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 required for 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. This 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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