12-1997

AcSec Update, Volume 2, Number 2 December 1997

American Institute of Certified Public Accountants. Accounting Standards Executive Committee

VOL. 2 • NO. 2 ~ DEC. 1997

AcSEC UPDATE

A publication of the Accounting Standards Executive Committee of the AICPA

AICPA

American Institute of Certified Public Accountants

AcSEC ISSUES TWO SOPs WITH GENERAL APPLICABILITY

SOFTWARE REVENUE RECOGNITION

In October 1997, AcSEC issued Statement of Position (SOP) 97-2, *Software Revenue Recognition* (product no. 014897). This SOP will supersede SOP 91-1, *Software Revenue Recognition*.

Significant changes from SOP 91-1 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 or until all elements have been delivered. (The 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.

The SOP is effective for transactions entered into in fiscal years beginning after December 15, 1997, with earlier application encouraged as of the beginning of fiscal years or interim periods for which financial statements or information have not been issued. Retroactive application is prohibited.

INSURANCE-RELATED ASSESSMENTS

In December 1997, AcSEC issued SOP 97-3, *Accounting by Insurance and Other Enterprises for Insurance-Related Assessments* (product no. 014898). This SOP applies to all entities, not just insurance enterprises, subject to insurance-related assessments, including self-insurers and participants in second injury funds.

This SOP addresses the accounting by insurance and other enterprises for assessments related to insurance activities. The SOP provides—

- Guidance for determining when an entity should recognize a liability for guaranty-fund and other insurance-related assessments.

- Guidance on how to measure the liability. It allows for the discounting of the liability if the amount and timing of the cash payments are fixed or reliably determinable.

- Guidance on 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.

This SOP is effective for financial statements for fiscal years beginning after December 15, 1998. Early adoption is encouraged; retroactive application is prohibited. Initial application of this SOP should be as of the beginning of an entity's fiscal year (that is, should an entity adopt the SOP prior to the effective date and during an interim period other than the first interim period, all prior interim periods should be restated). Entities subject to insurance-related assessments should report the effect of initially adopting this SOP in a manner similar to the reporting of a cumulative effect of a change in accounting principle.

EFFECTIVE DATES

SOP 97-3, *Accounting by Insurance and Other Enterprises for Insurance-Related Assessments*, for fiscal years beginning after December 15, 1998, with early adoption encouraged.

SOP 97-2, *Software Revenue Recognition*, for fiscal years beginning after December 15, 1997, with earlier application encouraged.

SOP 97-1, *Accounting by Participating Mortgage Loan Borrowers*, for fiscal years beginning after June 30, 1997.

SOP 96-1, *Environmental Remediation Liabilities (Including Auditing Guidance)*, for fiscal years beginning after December 15, 1996.

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.

NOTE: The SOP *Joint Activities of Not-for-Profit Organizations and State and Local Governmental Entities* is expected to be issued in January 1998 and be effective for years beginning on or after June 15, 1998. (See page 6.)

OTHER AcSEC ACTIVITIES

At its September and October 1997 meetings, AcSEC approved comment letters on—

- The Financial Accounting Standards Board (FASB) Special Report, *Issues Associated with the FASB Project on Business Combinations*.
- Two Governmental Accounting Standards Board (GASB) exposure drafts: *Property Tax Revenue Recognition in Governmental Funds: An Interpretation of NCGA Statement 1 and an Amendment of NCGA Interpretation 3* and *Accounting and Financial Reporting for Internal Revenue Code Section 458 Deferred Compensation Plans*.
- Five International Accounting Standards Committee (IASC) exposure drafts: *Intangible Assets; Provisions, Contingent Liabilities and Contingent Assets; Business Combinations; Discontinuing Operations; and Interim Financial Reporting*.
- The proposed FASB Concepts Statement, *Using Cash Flow Information in Accounting Measurements*.

These comment letters may be viewed on the AICPA Website, which can be accessed at: http//www.aicpa.org.

Upcoming AcSEC Meetings

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

January 29–30, 1998	Tucson, AZ
April 28–30, 1998	New York
June 16–17, 1998	New York

AcSEC TO CONSIDER A PRACTICE BULLETIN INTERPRETING SOP 97-2

An AcSEC task force has prepared a prospectus for a Practice Bulletin that would interpret paragraph 10 of SOP 97-2, *Software Revenue Recognition*, with respect to what constitutes "vendor- specific objective evidence of fair value" for the separate software element of certain multiple-element arrangements that are within the scope of SOP 97-2. The prospectus has not yet been cleared by the FASB. If AcSEC proceeds with this project, a Practice Bulletin would be expected in February 1998.

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's CURRENT SOP PROJECTS

As of December 18, 1997

Accounting for Discounts Related to Credit Quality

Description and background. 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 be recognized as an adjustment of yield over an instrument's life. Practice Bulletin (PB) 6 further addresses accretion of discounts on certain acquired loans, 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 any of the 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 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.

Staff: In transition

Current developments and plans. AcSEC began deliberations of a draft SOP at its September 1997 meeting; those deliberations will continue in January 1998.

Application of Deposit Accounting [By All Entities] to Certain Insurance and Reinsurance Contracts

Description and background. This project was undertaken because several recent authoritative pronouncements 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 proposed 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. The proposed SOP would apply to all entities, not just to insurance enterprises.

The proposed SOP specifies that insurance and reinsurance contracts for which the deposit method is appropriate should be classified into four different kinds, as follows:

1. Contracts that transfer neither significant timing nor underwriting risk.
2. Contracts that transfer only significant underwriting risk.
3. Contracts that transfer only significant timing risk.
4. Contracts with indeterminate risk.

The proposed SOP would adopt the interest method as described in FASB Statement No. 91 for insurance and reinsurance contracts that transfer only significant timing risk and insurance and reinsurance contracts that transfer neither significant timing nor underwriting risk.

Insurance and reinsurance contracts that transfer only significant underwriting risk would be accounted for by measuring the deposit based on the unexpired portion of the coverage provided until losses are incurred that will be reimbursed under the contracts. Once a loss is incurred under the contract, the deposit would be measured by the present value of the expected future cash flows arising from the contract plus the unexpired portion of the coverage provided. Changes in the recorded amount of the deposit would be included in the income statement of the insured as an offset to the loss that will be reimbursed under the contract.

Insurance and reinsurance contracts with indeterminate risk would be accounted for in a manner similar to the open-year method described in SOP 92-5, *Accounting for Foreign Property and Liability Reinsurance*.

Current developments and plans. An exposure draft was issued on June 30, 1997. AcSEC discussed the comments received on the exposure draft in December and will begin redeliberating the proposed SOP in January 1998.

Staff: Elaine Lehnert

Certain Managed Care Arrangements

Description and background. 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 orga-

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AcSEC AGENDA PROJECTS

As of DECEMBER 18, 1997	1997 4Q	1998 1Q	2Q	3Q
General Applicability				
Certain Managed Care — SOP (page 3)				E
Deposit Accounting for Certain Reinsurance Contracts — SOP (page 3)			F	
Internal-Use Software — SOP (page 5)		F		
Start-Up Costs — SOP (page 8)			F	
Lending Institutions				
Discounts Related to Credit Quality — SOP (page 3)			E	
Banks and Savings Institutions, Credit Unions, and Finance Companies — SOP (page 5) (Timing beyond 3Q '98)				
Employee Benefits Plans				
Cost Sharing and Benefit Reduction Arrangements— SOP (page 5)			E	
Certain Employee-Benefit-Plans Issues (Other Issues) — SOP (page 5)			E	
Financial and Commodities Trading and Investment Industries				
Investment Companies — Guide (page 8)			E	
Insurance Industry				
Life and Health Insurance Entities — Guide (page 9)			E	
Mass Tort Exposure — SOP (page 7) (Timing beyond 3Q '98)				
Motion Picture Industry				
Motion Pictures — SOP (page 7)			E	
Not-for-Profit Organizations and Governments				
Joints Activities of Not-for-Profit Organizations and State and Local Governmental Entities — SOP (page 6)		F		
Real Estate Industry				
Real Estate Joint Ventures — SOP (page 8)				E
Real Estate Timesharing Transactions — SOP (page 7)				E

Codes: E—Exposure Draft
F—Final Pronouncement

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

The project addresses the following issues:

- *Bifurcation*. Should revenues be bifurcated between premiums and administrative fees?
- *Reinsurance*. Should reinsurance transactions be presented gross or net in the income statement?
- *Accounting for loss contracts*. For purposes of determining whether a premium deficiency exists: How should contracts be grouped? How should costs that do not vary with a contract or group of contracts be treated? Should anticipated investment income be considered?
- Incurred-but-not reported (IBNR) claims. Which costs should be accrued as IBNR?
- Deferred acquisition costs. Should acquisition costs be capitalized? If so, which costs should be eligible for capitalization?

Current developments and plans. AcSEC discussed a draft SOP in July 1997 and asked the task force to revise the draft using terminology distinct from that used in the insurance model to clarify that the guidance in the document applies to fee-for-service arrangements that are not insurance. The Planning Subcommittee of AcSEC agreed in October, however, that the task force may ask AcSEC to reconsider that conclusion. AcSEC will discuss the project in January 1998.

Staff: Joel Tanenbaum

Employee Benefit Plans

Description and background. This project, which now consists of two proposed SOPs, 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*.

Current developments and plans. At its April 1996 meeting, AcSEC voted to expose a draft SOP, subject to FASB clearance. The FASB discussed the first issue above (cost-sharing and benefits-reduction arrangements) in September 1996 but did not clear the proposed conclusions. An SOP containing revised conclusions on that issue has been drafted by the Employee Benefit Plans Committee. Submission of that proposed SOP to the FASB for clearance has been delayed, however, pending resolution of United States Department of Labor multi-employer plan enforcement policy.

An SOP covering the remaining issues above is expected to be submitted to the FASB for clearance in the first quarter of 1998.

Staff: Wendy Frederick

Financial Institutions: Banks, Credit Unions, Finance Companies, and Savings Institutions.

Description and background. AcSEC is undertaking an SOP project to reconcile the specialized accounting and financial reporting guidance established in the existing Guides, *Banks and Savings Institutions*, *Audits of Credit Unions*, and *Audits of Finance Companies*. The final provisions would be incorporated in a final combined Guide, *Financial Institutions: Banks, Credit Unions, Finance Companies, and Saving Institutions*.

Current developments and plans. AcSEC's initial discussion of this project is expected to be in September 1998.

Staff: In transition

Internal-Use Software

Description and background. This SOP will specify the characteristics of computer software that is considered to be internal-use software and will require the following:

- Software development costs incurred for an internal-use software project during the "application development stage" of the project should be capitalized if management authorizes and commits

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funding to the project and it is probable that the project will be completed and the software will be used to perform the function intended. The application and development stage includes design of chosen path, including software configuration and software interfaces; coding; installation to hardware; and testing, including the parallel processing phase. Costs of internal-use computer software incurred during other stages would be expensed as incurred. Costs of most data conversion and all training costs would be expensed as incurred.

- Costs to be capitalized include external direct costs; payroll and payroll-related costs for employees who are directly associated with and who devote time to the project; and interest costs incurred in developing internal-use computer software.

- The capitalized costs of computer software developed or obtained for internal use should be amortized on a straight -line basis unless another systematic and rational method is more representative of software use.

- Internal costs incurred for specified upgrades and enhancements and external costs incurred under agreements related to specified upgrades and enhancements should be capitalized if they meet the capitalization criteria above. External costs related to maintenance and unspecified upgrades and enhancements, and costs under agreements that combine the costs of maintenance and unspecified upgrades and enhancements should be charged to expense over the contract period on a straight-line basis unless another systematic and rational basis is more representative of the services received.

- Impairment should be recognized and measured in accordance with the provisions of FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

- Proceeds received from the license of computer software developed or obtained for internal use, net of incremental costs of sales or selling costs, should be applied against the carrying amount of the software. No profit should be recognized until aggregate proceeds from licenses have reduced the carrying amount of the software to zero.

Accounting for costs addressed in EITF Issue No. 97-13, *Accounting for Costs Incurred in Connection with a Consulting Contract or an Internal Project That Combines Business Process Reengineering and Information Technology Transformation*, and accounting for costs addressed in EITF Issue No. 96-14, *Accounting for the Costs Associated with Modifying Computer Software for the Year 2000*, are outside the scope of the SOP.

The SOP will apply to all nongovernmental entities and will be effective for financial statements for fiscal years beginning after December 15, 1998. Earlier application will be encouraged in fiscal years for which annual financial statements have not been issued.

Current developments and plans. At its October 1997 meeting, AcSEC voted unanimously to issue a final SOP, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, subject to AcSEC's negative clearance and FASB clearance. In December, the FASB did not object to the issuance of the final SOP, provided that certain changes are made. AcSEC expects to issue the final SOP in the first quarter of 1998.

Staff: Dan Noll

Joint Activities of Not-for-Profit Organizations and State and Local Governmental Entities

Background and Description. 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 the 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 are 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 June 15, 1998. Earlier application will be encouraged for fiscal years for which financial statements have not been issued.

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Current developments and plans. The FASB cleared the SOP for issuance, subject to certain revisions. It is expected to be issued in late January 1998.

Staff: Joel Tanenbaum

Mass Tort Exposure of Insurance Enterprises

Description and background. AcSEC added this project to its agenda in 1996 in response to a request from the Insurance Companies Committee for a project to address diversity in practice in the recognition and measurement of liabilities for mass tort exposures of insurance enterprises, such as asbestos and environmental exposures. In obtaining clearance from the FASB for the prospectus for the project, it was agreed that the scope of the project should be clarified to focus more broadly on mass tort exposures rather than on asbestos and environmental exposures.

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 exposure 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.

Current developments and plans. AcSEC is scheduled to have its first discussion of this project in April 1998.

Staff : Fred Gill

Motion Pictures

Background. 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.

Current developments and plans. At its December meeting, AcSEC tentatively agreed that revenue should be recognized when all of the following criteria are met:

- Persuasive evidence of a sale or licensing arrangement with a customer exists.
- In accordance with the terms of the arrangement, the film either has been delivered or is available to be delivered.
- The license period of the arrangement has begun and the customer may begin its exhibition or exploitation.
- The gross revenue is fixed or determinable.
- Collection is reasonably assured.

The arrangement must transfer substantially all of the benefits and risks incident to ownership of the film for an individual market and territory in order to be accounted for as a sale. Further, the arrangement must convey to the customer the exclusive right to exploit the film in the territory or market contracted for, and there must be an expectation that at the end of the licensing period the residual value of the licensing right in that market or territory will be negligible. Arrangements that do not meet these criteria would be accounted for in a manner similar to that of an operating lease.

AcSEC will continue its discussion of the task force's draft exposure draft in January 1998 focusing on cost and expense recognition.

Staff: Dan Noll

Real Estate Timesharing Arrangements

Description and background. AcSEC added this project to its agenda at the request of the Real Estate Committee. Because of a lack of guidance specific to real estate timesharing transactions, diversity has arisen in practice. The SOP would attempt to reduce the diversity.

Issues to be addressed in this proposed SOP include:

- Which revenue recognition method should be used?
- How should reserves for cancellation of leases be determined?
- What kinds of selling costs may be deferred?

Current developments and plans. At its initial discussion of a draft SOP in September 1997, AcSEC asked the Real Estate Committee to analyze the various kinds of timesharing transactions and develop criteria that must be met for a transaction to qualify as a sale. AcSEC also tentatively concluded that—

- Any other rights transferred as part of a timesharing transaction should be accounted for separately.

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- Recovered units should be accounted for at the lower of (a) fair value less costs to sell or (b) cost of the recovered unit.

AcSEC will continue its deliberations of this project in April 1998.

Staff: In transition

Real Estate Joint Ventures

Description and background. 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.

Current developments and plans. At its July 1997 meeting, AcSEC reached a tentative conclusion that the equity method should be used to account for unconsolidated investments in real estate ventures, except when immaterial to the investor.

The other significant tentative conclusion reached by AcSEC at the July meeting was that earnings and losses from these equity-method investments should be determined based on changes in the investor's residual interest in the investee. The residual interest is the amount an investor would receive (or be obligated to pay) if the venture were to liquidate all of its assets and liabilities at GAAP carrying amounts and distribute the net proceeds in accordance with the priority provisions of the venture agreement.

AcSEC reviewed the basic concepts of the proposed SOP's accounting at its December 1997 meeting and will discuss a revised draft exposure draft in April 1998.

Staff: In transition

Start-Up Costs

Description. This proposed SOP would require that costs of start-up activities and organization costs be expensed as incurred.

The proposed SOP would apply to all nongovernmental entities. For entities that report their balance sheets at fair value and trade at net asset value per share, the proposed SOP would be adopted prospectively and would be effective at the later of June 30, 1998 or the date that the SOP is issued. For all other entities, it would be effective for financial statements for fiscal years beginning after December 15, 1998, with cumulative-effect type transition and earlier application encouraged.

Current developments and plans. At its December 1997 meeting, AcSEC voted unanimously to issue a final SOP, *Reporting on the Costs of Start-Up Activities*, subject to AcSEC's positive clearance and FASB approval. AcSEC hopes to issue the final SOP in the second quarter of 1998.

Staff: Dan Noll

AGENDA DECISIONS

In September, the Planning Subcommittee (PSC) of AcSEC —

- Approved a prospectus to develop an SOP to address the classification and valuation of liabilities as well as disclosures for nontraditional annuity and life insurance contracts issued by insurance enterprises. The SOP would address the classification, valuation, and disclosure of assets held in separate accounts of insurance enterprises. It is expected that the FASB will consider the prospectus in the first quarter of 1998.

- Removed the real estate audit and accounting Guide from AcSEC's agenda as a result of the PSC's annual sunset review of AcSEC projects. The Guide may be returned to the agenda, however, once several Real Estate Committee projects are completed.

- Considered a project to revise SOP 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*, and the related Audit and Accounting Guide *Construction Contractors*. Based on input received from practitioners, preparers, users, regulators, and various AICPA groups, the PSC decided that the project is not warranted at this time.

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.

Financial Institutions: Banks, Credit Unions, Finance Companies, and Savings Institutions AcSEC is undertaking an SOP project (see page 5) to reconcile the specialized accounting and financial reporting guidance established in the existing Guides, *Banks and Savings Institutions*, *Audits of Credit Unions*, and *Audits of Finance Companies*. The final provisions would be incorporated in a final combined Guide *Financial Institutions: Banks, Credit Unions, Finance Companies, and Savings Institutions*.

Investment Companies *Audits of Investment Companies*, which was issued in 1986 and which since then has been updated only for con-

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forming 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.

The accounting and reporting issues encompass how unit investment trusts (UITs) account for offering costs, liabilities for excess expense plans, and complex capital structures.

The proposed Guide was approved for exposure by AcSEC at its June meeting. AcSEC is expected to meet with FASB in the first quarter of 1998 to obtain the Board's approval for public exposure. The exposure draft is expected to be released for public exposure in the second quarter of 1998.

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

AcSEC is scheduled to discuss the proposed guidance with a view towards approving an exposure draft, subject to FASB clearance, at its January 1998 meeting.

AICPA TO ISSUE FUTURES COMMISSION MERCHANTS AND COMMODITY POOLS PRACTICE AID

The AICPA is developing a nonauthoritative practice aid for futures commission merchants and commodity pools. The practice aid will contain regulatory, auditing, and accounting guidance on commodity futures and options transactions. The practice aid is expected to be available for publication in the second quarter of 1998.

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 AICPA Web Site, "AICPA Online." The AICPA Web site address is: http://www.aicpa.org.

Staff Positions Open

The AICPA is looking for individuals to fill open Technical Manager positions on the Accounting Standards Team.

Members of the Accounting Standards Team work with AcSEC, AICPA Industry Committees, AcSEC Task Forces, and other leaders of the profession to improve financial reporting.

Candidates must be CPAs with five or more years of public accounting experience. They should also have excellent interpersonal and writing skills, public speaking ability, and the ability to work with teams of CPAs in developing authoritative accounting guidance.

For more information, contact Susan D'Angelo, Manager-Human Resources, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881, telephone 201-938-3352.

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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 or Fax 212-596-6064.

AcSEC Update, the newsletter of the AICPA Accounting Standards Executive Committee, is published three times a year.

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