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AcSEC UPDATE

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AICPA

American Institute of Certified Public Accountants

AcSEC ISSUES FOUR NEW SOPs

Computer Software Developed or Obtained for Internal Use

In March 1998, AcSEC issued SOP 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (product no. 014905). This SOP provides guidance on accounting for the costs of computer software developed or obtained for internal use. It requires the following:

- Computer software costs that are incurred in the preliminary project stage should be expensed as incurred. Once the capitalization criteria of the SOP have been met, external direct costs of materials and services consumed in developing or obtaining internal-use computer software; payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project (to the extent of the time spent directly on the project); and interest costs incurred when developing computer software for internal use should be capitalized. Training costs and many kinds of data conversion costs should be expensed as incurred.

- Internal costs incurred for upgrades and enhancements that add functionality should be expensed or capitalized using the same criteria as for new software. Internal costs incurred for maintenance should be expensed as incurred. Entities that cannot separate internal costs on a reasonably cost-effective basis between maintenance and relatively minor upgrades and enhancements should expense such costs as incurred.

- External costs incurred under agreements related to specified upgrades and enhancements should be expensed or capitalized using the same criteria as for new software. However, external costs related to maintenance, unspecified upgrades and enhancements, and costs under agreements that combine the costs of maintenance and unspecified upgrades and enhancements should be recognized in 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*.

- 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 basis is more representative of the software's use.

- If, after the development of internal-use software is completed, an entity decides to market the software, proceeds received from the license of the computer software, net of direct incremental costs of marketing, should be applied against the carrying amount of that software.

The SOP identifies the characteristics of internal-use software and provides examples to assist in determining when computer software is for internal use.

The SOP applies to all nongovernmental entities and is effective for financial statements for fiscal years beginning after December 15, 1998. It should be applied to internal-use software costs incurred in those fiscal years for all projects, including those projects in progress upon initial application of the SOP. Earlier application is encouraged in fiscal years for which annual financial statements have not been issued. Costs incurred prior to initial application of this SOP, whether capitalized or not, should not be adjusted to the amounts that would have been capitalized had this SOP been in effect when those costs were incurred.

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EFFECTIVE DATES

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

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

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 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, for years beginning December 15, 1998, with earlier application encouraged in fiscal years for which annual financial statements have not been issued.

SOP 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising*, for years beginning on or after December 15, 1998, with earlier application encouraged in fiscal years for which financial statements have not been issued.

SOP 98-4, *Deferral of the Effective Date of a Provision of SOP 97-2, "Software Revenue Reccognition,"* as of March 31, 1998.

SOP 98-5, *Reporting on the Costs of Start-Up Activities*, for years beginning after December 15, 1998, with earlier application encouraged in fiscal years for which annual financial statements have not been issued.

OTHER AcSEC ACTIVITIES

At its April 1998 meeting, AcSEC approved a comment letter on the FASB exposure draft, *Accounting for Mortgage-Backed Securities and Certain Other Interests Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise*.

June AcSEC Meeting Cancelled

The AcSEC meeting that was scheduled for June 16–17 was cancelled.

Upcoming AcSEC Meetings

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

July 28–30 1998	Portland, OR
September 15–16, 1998	New York
October 27–28, 1998	New York
December 2–3, 1998	New York

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

Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising

In March 1998, AcSEC issued SOP 98-2, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Governmental Entities That Include Fund Raising* (product no. 014887). It applies to all nongovernmental not-for-profit organizations (NPOs) and all state and local governmental entities that solicit contributions.

This SOP requires—

- 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.
- 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 otherwise might be considered program or management and general costs if they had been incurred in a different activity, subject to the exception in the following sentence. Costs of goods or services provided in exchange transactions that are part of joint activities, such as costs of direct donor benefits of a special event (for example, a meal), should not be reported as fund raising.
- Certain financial statement disclosures if joint costs are allocated.

The SOP also describes and illustrates some commonly used and acceptable allocation methods although no methods are prescribed or prohibited.

This SOP amends existing guidance in the AICPA Audit and Accounting Guides *Health Care Organizations*, *Not-for-Profit Organizations* (which was issued in August 1996 and supersedes SOP 87-2, *Accounting for Joint Costs of Informational Materials and Activities of Not-for-Profit Organizations That Include a Fund-Raising Appeal*, because the provisions of SOP 87-2 are incorporated into the Guide), and *Audits of State and Local Governmental Units*.

This SOP is effective for financial statements for years beginning on or after December 15, 1998. Earlier application is encouraged in fiscal years for which financial statements have not been issued. If comparative financial statements are presented, retroactive application is permitted but not required.

Deferral of the Effective Date of a Provision of SOP 97-2, *Software Revenue Recognition*

In March 1998, AcSEC issued SOP 98-4, *Deferral of the Effective Date of a Provision of SOP 97-2, "Software Revenue Recognition"* (product no. 014907). This SOP defers for one year the application of the following passages in SOP 97-2, which limit what is considered vendor-specific objective evidence (VSOE) of the fair value of the various elements in a multiple-element arrangement: (a) the second sentences of paragraphs 10, 37, 41, and 57, (b) example 3 in "Multiple-Element Arrangements — Products" on page 67 (appendix A), and (c) example 3 in "Multiple-Element Arrangements — Products and Services" on page 70 (appendix A). All other provisions of SOP 97-2 remain in effect.

This SOP was issued because, subsequent to the issuance of SOP 97-2, several examples of multiple element arrangements were brought to AcSEC's attention in which the application of the limitations on VSOE of fair values in paragraph 10 of SOP 97-2 would not allow "unbundling" and, as a result, may produce an unduly conservative pattern of revenue recognition. AcSEC is currently redeliberating these provisions — see page 8.

This SOP applies to all multiple-element software arrangements, as defined in paragraph 9 of SOP 97-2, and is effective as of March 31, 1998. If an enterprise had applied SOP 97-2 in an earlier period for financial statements or information already issued prior to the promulgation of this SOP, amounts reported in those financial statements or as part of that information may be restated.

Start-Up Activities

In April 1998, AcSEC issued SOP 98-5, *Reporting on the Costs of Start-Up Activities* (product no. 014906). This SOP provides guidance on the financial reporting of start-up costs and organization costs. It requires costs of start-up activities and organization costs to be expensed as incurred.

The SOP broadly defines start-up activities and provides examples to help entities determine what costs are and are not within the scope of this SOP.

This SOP applies to all nongovernmental entities and, except for certain investment companies, is effective for financial statements for fiscal years beginning after December 15, 1998. Earlier application is encouraged in fiscal years for which annual financial statements have not been issued.

Except for certain entities noted in the following paragraph, initial application of this SOP should be reported as the cumulative effect of a change in accounting principle, as described in Accounting Principles Board (APB) Opinion No. 20, *Accounting Changes*. When adopting this SOP, entities are not required to report the pro forma effects of retroactive application.

Entities that report substantially all investments at market value or fair value, issue and redeem shares, units, or ownership interests at net asset value, and have sold their shares, units, or ownership interests to independent third parties before June 30, 1998 should adopt the SOP prospectively.

AcSEC AGENDA PROJECTS

As of June 15, 1998	1998 2Q	1998 3Q	1998 4Q	1999 1Q
General Applicability				
Certain Managed Care — SOP (page 5)			E	
Deposit Accounting for Certain Reinsurance Contracts — SOP (page 5)		F		
Computer Software				
SOP 97-2 Amendment — SOP (page 8)		E	F	
Lending Institutions				
Discounts Related to Credit Quality — SOP (page 5)		E		
Banks and Savings Institutions, Credit Unions, and Finance Companies — SOP (page 6)				E
Employee Benefits Plans				
Cost Sharing and Benefit Reduction Arrangements— SOP (page 6)				E
401(h) Features — SOP (page 6)		E		
Investments in Registered Investment Companies — SOP (page 6)			E	
Investment Industry				
Investment Companies — Guide (page 8)		E		
Insurance Industry				
Life and Health Insurance Entities — Guide (page 9)		E		
Mass Tort Exposures — SOP (page 6)				E
Nontraditional Contracts — SOP (page 7)				E
Motion Picture Industry				
Motion Pictures — SOP (page 7)		E		
Real Estate Industry				
Real Estate Investments — SOP (page 8)			E	
Real Estate Timesharing Arrangements — SOP (page 7)			E	

Codes: E—Exposure Draft
F—Final Pronouncement

AcSEC's CURRENT SOP PROJECTS

As of June 15, 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 loss pursuant to 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. In January 1998, AcSEC approved the SOP for final issuance subject to FASB clearance. FASB clearance is scheduled for mid-July.

Staff: Elaine Lehnert

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 display 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.

Current developments and plans. AcSEC began deliberations of a draft SOP at its September 1997 meeting and voted to clear the draft SOP for exposure at its January 1998 meeting subject to certain changes and FASB clearance. The draft SOP will be forwarded to FASB in June 1998. FASB is expected to consider the proposed exposure draft during the third quarter.

Staff: Brad Davidson

Certain Managed Care Arrangements

Description and background. This project is being undertaken 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

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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*. 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 incurred-but-not-reported claims (IBNR)
- *Deferred acquisition costs*. Should acquisition costs be capitalized? If so, which costs should be eligible for capitalization?

Current developments and plans. At its April 1998 meeting, AcSEC discussed key issues pertaining to the project. AcSEC agreed that IBNR should be accrued for costs for which the entity is obligated (costs that the entity is expected to incur, but for which the entity is not obligated, should not be accrued). Also, AcSEC asked the preparing task force to reconsider the guidance for loss contacts. AcSEC asked that the guidance be drafted to provide that contracts be grouped only if they have certain characteristics in common. This would likely increase the number and amount of loss contracts recognized. AcSEC did not reach conclusions concerning what those characteristics would be. AcSEC will discuss this SOP at its July meeting.

Staff: Joel Tanenbaum

Employee Benefit Plans

Description and background. This project, which now consists of three 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*, and supersede PB 12, *Reporting Separate Investment Fund Option Information of Defined-Contribution Pension Plans*.

The first SOP, *Accounting and Reporting of Certain Health and Welfare Benefit Plan Transactions*, would 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 second SOP, *Accounting and Reporting of 401(h) Features of Defined Benefit Pension Plans*, would address the accounting for and disclosure of features of defined benefit pension plans, provided pursuant to section 401(h) of the Internal Revenue Code. That section allows 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 third SOP, *Accounting and Reporting for Certain Employee Benefit Plan Investments and Other Disclosure Matters*, would address the presentation in financial statements of all types of employee benefit plans of information about investments in registered investment companies (mutual funds). It also would eliminate the requirement for defined contribution pension plans to report separate investment fund option information as required by PB 12.

Current developments and plans. At its April 1996 meeting, AcSEC voted to expose a draft SOP, subject to FASB clearance. The FASB discussed 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 pending resolution of United States Department of Labor multi-employer plan enforcement policy. Resolution of the policy is expected by June 30, 1998.

FASB cleared the proposed exposure draft of the second SOP in March 1998, and it is expected to be released in July 1998. The third SOP is expected to be discussed by AcSEC in July.

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: Brad Davidson

Mass Tort Exposures 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 environ-

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mental 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 an educational discussion of this project at its September 1998 meeting.

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 1997 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.

Further, to record revenue upon the signing of the license, 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 and the arrangement must convey to the customer the exclusive right to exploit the film in the territory or market. Arrangements that do not meet these criteria would be accounted for in a manner similar to that of an operating lease.

At its January meeting, AcSEC voted to expose an SOP for public comment, subject to FASB clearance. The FASB cleared the proposed exposure draft on June 10, 1998, subject to certain changes being made. The exposure draft is expected to be issued for public comment in the third quarter of 1998.

Staff: Dan Noll

Nontraditional Long-Duration Contracts

Description and background. On February 18, 1998, the FASB cleared a prospectus for the development of an SOP on accounting by insurance companies for certain nontraditional long-duration contracts and for separate accounts. The SOP will address the classification and valuation of liabilities as well as disclosures for nontraditional annuity and life insurance contracts issued by insurance enterprises. The AICPA Insurance Companies Committee identified this project because of the growing trend in insurers offering such contracts.

Current developments and plans. AcSEC is scheduled to have an educational session on this project at its September 1998 meeting.

Staff: Elaine Lehnert

Real Estate Time-Sharing Transactions

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 time-sharing 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 allowances for uncollectible receivables be determined?
- What kinds of selling costs may be deferred?

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

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- Any other rights transferred as part of a time-sharing transaction should be accounted for separately.
- 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 discuss a draft exposure draft in July 1998.

Staff: Marc Simon

Amendment of SOP 97-2, *Software Revenue Recognition*

Description and background. AcSEC added this project to its agenda because, subsequent to the issuance of SOP 97-2, *Software Revenue Recognition*, several examples were brought to AcSEC's attention in which the application of the limitations on vendor-specific objective evidence of fair values in paragraph 10 of SOP 97-2 would not allow "unbundling" and, as a result, may produce an unduly conservative pattern of revenue recognition.

In March 1998, AcSEC issued SOP 98-4, which deferred for one year the effective date of the relevant provisions of SOP 97-2.

Current developments and plans. At its April meeting, AcSEC voted to expose a draft SOP, subject to FASB clearance. The proposed SOP would rescind the second sentences of paragraphs 10, 37, 41, and 57 of SOP 97-2, which limit what is considered vendor-specific objective evidence of fair value of the various elements in a software arrangement. It also would amend certain examples in SOP 97-2 that are affected by the rescinded sentences and add an additional example. The proposed SOP would be effective for transactions entered into in fiscal years beginning after December 15, 1998. FASB is expected to consider the draft exposure draft in July 1998.

Staff: Fred Gill

Interests in Unconsolidated Real Estate Investments

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 entities.

Current developments and plans. At its April 1998 meeting, AcSEC decided that the concept of a committed versus uncommitted investor will be replaced by investors who are either legally or constructively obligated or not legally or constructively obligated. Investor income or loss will be measured on a balance sheet basis, that is, it will equal the change in the investor's residual interest in the investee, plus amortization of any difference between investment carrying amount and residual interest.

Each investor's residual interest in the investee is the amount the 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 ownership agreement.

AcSEC will discuss a revised draft exposure draft in July 1998.

Staff: Marc Simon

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.

AcSEC Appoints Software Revenue Recognition Task Force

AcSEC has appointed a task force to address narrow accounting issues affecting the computer software industry, including practice issues arising from the application of SOP 97-2, *Software Revenue Recognition*. The task force, which includes representatives from both public accounting and the software industry, will present to AcSEC's Planning Subcommittee in the third quarter of 1998 its preliminary recommendations as to issues that should be addressed and whether the guidance on particular issues should be authoritative (e.g., an SOP) or nonauthoritative (e.g., staff questions and answers).

Dan Noll is the staff contact for this project.

Financial Institutions: Banks, Credit Unions, Finance Companies, and Savings Institutions AcSEC is undertaking an SOP project (see page 6) 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 are expected to be incorporated in a combined Guide, *Financial Institutions: Banks, Credit Unions, Finance Companies, and Savings Institutions*.

Investment Companies. *Audits of Investment Companies* was initially issued in 1986. Since then it has been updated only for conforming changes. The Guide is now being revised. The draft being developed by the AICPA Investment Companies Committee will address

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how to enhance the usefulness of investment company financial statements to their users.

The accounting and reporting issues include 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 in June 1997. FASB did not object to AcSEC's plans to expose the proposed Guide for public comment providing certain changes are made. The exposure draft is expected to be released in the third quarter of 1998.

Life and Health Insurance Entities. *Audits of Stock Life Insurance Entities* was issued in 1972. The Guide is now being revised. The new Guide is not expected to establish new accounting guidance, but expanded or new audit requirements will be established in certain areas.

The proposed Guide was approved by AcSEC at its January meeting. FASB clearance was also received for public exposure. The exposure draft is expected to be released in the third 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.

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.

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