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American Institute of Certified Public Accountants. Accounting Standards Executive Committee

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AcSEC UPDATE

A publication of the Accounting Standards Executive Committee of the AICPA

AICPA

American Institute of Certified Public Accountants

AcSEC SHOWS APPRECIATION

Thanks to Outgoing AcSEC Members, Welcome New AcSEC Members

AcSEC wishes to thank the following outgoing members for their dedicated service to the Committee:

- James Brown — Crowe Chizek and Company LLP
- James Harrington — PricewaterhouseCoopers LLP
- James Ledwith — J.H. Cohn LLP
- James McComb — CSX Transportation
- Charles McDonald — University of Florida
- Roger Molvar — Times Mirror Company

The following are the new AcSEC members as of October 1, 1998:

- Albert Adkins — Assistant Comptroller, USX Corporation, Pittsburgh, PA
- Cassandra Camp — Partner, Carlin, Charron & Rosen LLP, Worcester, MA
- John Ciesielski — Owner, R.G. Associates, Inc., Baltimore, MD
- Ray Krause — National Dirctor of Accounting, McGladrey & Pullen LLP, Bloomington, MN
- Paula Panik — Vice President – Accounting Policy and Finance, The Travelers Insurance Companies, Hartford, CT
- Mary Stone — Professor of Accounting, University of Alabama, Tuscaloosa, AL

EFFECTIVE DATES

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.

RECENT AcSEC ACTIVITIES

Life and Health Insurance Entities. On September 4, 1998, the AICPA released for public comment a proposed Audit and Accounting Guide, *Life and Health Insurance Entities*. The proposed Guide would supersede the AICPA Industry Audit Guide, *Audits of Stock Life Insurance Companies*. Comments are due December 4, 1998.

The proposed Guide discusses those aspects of accounting and auditing unique to life and health insurance entities and was developed to assist life and health insurance entities in preparing financial statements in conformity with GAAP and to assist independent auditors in auditing and reporting on those financial statements. In addition, the proposed Guide contains significant discussions of statutory accounting practices (SAP) that include laws, regulations, and administrative rulings adopted by various states that govern the operations and reporting requirements of life insurance entities. The proposed Guide does not reflect SAP under the National Association of Insurance Commissioners codification project. The relevant SAP section in the proposed Guide will be updated to reflect those standards during the exposure period.

The proposed Guide also incorporates accounting and financial reporting requirements issued by the FASB and AcSEC since the issuance of the AICPA Industry Audit Guide *Audits of Stock Life Insurance Companies*. Also incorporated in this proposed Guide are new auditing standards issued by the AICPA Auditing Standards Board since the issuance of the pronouncements that the proposed Guide would supersede.

The Life and Health Insurance Entities Audit and Accounting Guide is not intended to establish any new accounting standards or interpret any existing accounting standards, except for the inclusion of an SEC staff announcement regarding the effects of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, made at the July 12, 1994 EITF meeting, on certain assets and liabilities.

One free copy of the exposure draft can be obtained from the AICPA Order Department by calling 888–777–7077 and asking for product number 800122. The exposure draft will also be available on the AICPA's Website (www.aicpa.org). Written comments should reference File 3162.LG and be sent to: Elaine M. Lehnert, Technical Manager, Accounting Standards, 1211 Avenue of the Americas, New York, NY 10036-8775; email: elehnert@aicpa.org.

Investment Companies. On September 22, 1998, AcSEC issued an exposure draft of a completely revised Audit and Accounting Guide, *Audits of Investment Companies*. This proposed Guide will replace the AICPA Audit and Accounting Guide, *Audits of Investment Companies*, issued in 1986 as updated only for conforming changes. The proposed Guide is intended to address how to enhance the usefulness of investment company financial statements to their users. Among other things, it will provide new guidance on accounting for offering costs, amortization of premium or discount on bonds, liabilities for excess expense plans, and reporting complex capital structures. Comments are due December 22, 1998.

Most of the changes in accounting and financial reporting proposed by this Guide should be applied prospectively and are effective for annual financial statements issued for fiscal years beginning after December 15, 1999, and for interim financial statements issued after initial application. Earlier application is permitted. Restatement of previously issued financial statements is not permitted.

One free copy of the exposure draft can be obtained from the AICPA Order Department by calling 888–777–7077 and asking for product number 800123. The exposure draft will also be available on the AICPA's Website **(www.aicpa.org)**. Written comments should reference File 3170 and be sent to: Sheila Yu, Technical Manager, Accounting Standards, 1211 Avenue of the Americas, New York, NY 10036-8775; email: syu@aicpa.org.

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** 888–777–7077 (option #1). Ask for Operator NQ. Orders for exposure drafts must be written or faxed.

Editor: Marc Simon

Administrative Editor: Sharon Macey

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

AcSEC AGENDA PROJECTS

As of September 30, 1998	1998 3Q	1998 4Q	1999 1Q	1999 2Q
General Applicability				
Certain Managed Care — SOP (page 5)				E
Deposit Accounting for Certain Reinsurance Contracts — SOP (page 4)		F		
Computer Software				
SOP 97-2 Amendment — SOP (page 7)		F		
Lending Institutions				
Discounts Related to Credit Quality — SOP (page 4)		E		
Banks and Savings Institutions, Credit Unions, and Finance Companies — SOP (page 5)			E	
Employee Benefits Plans				
Cost Sharing and Benefit Reduction Arrangements — SOP (page 5)				E
401(h) Features — SOP (page 5)	E			
Investments and Other Disclosure Matters — SOP (page 5)			E	
Investment Industry				
Investment Companies — Guide (page 2)	E			
Insurance Industry				
Life and Health Insurance Entities — Guide (page 2)	E			
Mass Tort Exposures — SOP (page 6)				E
Nontraditional Contracts — SOP (page 7)				
Motion Picture Industry				
Motion Pictures — SOP (page 6)		E		
Real Estate Industry				
Real Estate Investments — SOP (page 8)			E	
Real Estate Timesharing Arrangements — SOP (page 7)				E

Codes: E—Exposure Draft Issued
F—Final Pronouncement Issued

AcSEC's CURRENT SOP PROJECTS

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 July 1998, FASB did not object to the final issuance of the SOP. Final issuance as SOP 98-7 is expected in the fourth quarter of 1998.

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 addresses, for loans and debt securities purchased at a discount related to credit quality, the following issues:

- Investors would be prohibited from displaying discounts on purchased loans in the balance sheet. Further, discounts could not be classified in the allowance for loan losses. In other words, investors could not carry over the allowance for loan losses established by the seller.
- The investor would estimate expected cash flows on the loan at inception and periodically over the life of the loan. The excess of expected cash flows over the initial investment (purchase price) would be recognized as an adjustment of the loan's yield. The excess of contractual cash flows over expected cash flows would not be recognized as an adjustment of yield. Subsequent impairment of the loan would relate to the investor's ability to collect cash flows expected at acquisition. Subsequent increases in expected cash flows would be recognized prospectively.
- Loans purchased at a discount related to credit quality would not be considered impaired at acquisition for either measurement or disclosure purposes. As discussed above, subsequent impairment relates to the investor's ability to collect expected cash flows. However, the proposed SOP requires new disclosures for purchased loans within its scope, in addition to those already required by other accounting literature, including FASB Statement Nos. 114 and 118. Such disclosures apply whether or not loans are considered impaired.
- The proposed SOP would explicitly exclude originated loans from its scope. FASB Statement No. 125 provides criteria for distinguishing between purchased and originated loans. The proposed SOP would establish no further criteria.

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Current developments and plans. In October 1998, FASB did not object to AcSEC issuing the proposed SOP for exposure.

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 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 (IBNR) claims?
- *Deferred acquisition costs*. Should acquisition costs be capitalized? If so, which costs should be eligible for capitalization?

Current developments and plans. At its July 1998 meeting, AcSEC discussed concerns at the FASB regarding tentative conclusions reached by AcSEC related to the recognition of liabilities for IBNR claims—accruing costs of services provided during the period. AcSEC members agreed that the task force should pursue an approach for liability recognition that the costs associated (for the contract period) with known conditions should be accrued as the managed care entity's liability, provided that an appropriate revenue and profit recognition model also is developed. An exposure draft is expected in the second quarter of 1999.

Staff: Joel Tanenbaum

Employee Benefit Plans

This project, which now consists of three proposed SOPs, would amend the Audit and Accounting Guide *Audits of Employee Benefit Plans*, SOP 92-6, *Accounting and Reporting by Health and Welfare Benefit Plans*, and SOP 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined Contribution Plans*, and would supersede PB 12, *Reporting Separate Investment Fund Option Information of Defined-Contribution Pension Plans*.

Description and background. 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.

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 October 31, 1998.

Description and background. 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.

Current developments and plans. FASB cleared the proposed exposure draft in March 1998 and it was released on September 9, 1998.

Description and background. The third SOP, *Accounting and Reporting for Certain Employee Benefit Plan Investments and Other Disclosure Matters*, 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. AcSEC approved the draft SOP at its July 1998 meeting pending certain revisions.

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

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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*.

The proposed SOP eliminates differences in accounting and disclosure established by the respective Guides, and carries accounting guidance for transactions determined to be unique to certain financial institutions. Some of the more important issues being considered by AcSEC and the task force are as follows:

Banks and thrifts are presently required to disclose information about their regulatory capital requirements. Under the proposed SOP, credit unions will be required to disclose similar information.

Credit unions report amounts placed in their deposit insurance fund as an asset if such amounts are fully refundable, due to unique legal and operational aspects of the credit union share insurance fund. Banks and thrifts expense payments to their deposit insurance fund as incurred. Under the proposed SOP, both practices are expected to be preserved.

Finance companies record purchases and sales of securities on the settlement date, whereas banks, thrifts, and credit unions follow trade date accounting. Under the proposed SOP, finance companies will follow trade date accounting.

FASB Statement Nos. 114 and 118 address loan impairment measurement and disclosure requirements, but do not specify how to recognize income on impaired loans. The Guide for finance companies gives specific guidance on the recognition of interest income on impaired loans. Banks, thrifts, and credit unions are not provided such guidance. The task force has not yet decided how to resolve this issue.

Under the proposed SOP, certain disclosures for credit unions will be eliminated. These disclosures in the Guide for credit unions include, for example, additional information about repurchase agreements, servicing assets, and deposit liabilities.

Current developments and plans. AcSEC began deliberations on this project and a draft SOP at its September 1998 meeting, and will consider it again at its October meeting.

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.

This proposed SOP would—

- 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.
- Address how the various components of mass tort exposure liabilities are measured.
- Consider applying present value concepts to mass tort exposure liabilities.
- Include an educational discussion of the various methodologies and assumptions that are used to estimate mass tort exposure liabilities.
- Specify the disclosures to be provided in the notes to the financial statements for insurance enterprises.

Current developments and plans. AcSEC held an informational discussion of the background issues of this project at its September 1998 meeting and will discuss a draft SOP in January 1999.

Staff : Fred Gill

Motion Pictures

Description and Background. This project was undertaken by AcSEC at the request of the FASB.

Since the issuance in 1981 of FASB Statement No. 53, *Financial Reporting by Distributors and Producers of Motion Picture Films*, 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. In January 1998, AcSEC agreed to issue an exposure draft of an SOP.

Significant provisions of the proposed SOP are:

- Revenue should be recognized when all of a number of conditions are met, including:
  - — Persuasive evidence of a sale or licensing arrangement with a customer exists.
  - — The film is complete and, in accordance with the terms of the arrangement, either has been delivered or is available to be delivered.

The proposed SOP would also establish criteria for recognizing revenue from licensing arrangements.

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- The costs of producing a film and bringing that film to market consist of production costs, exploitation costs, and participation costs.

The present value of participation costs should be accrued when their payment is probable, which is usually determined when the film has been released. Entities should recognize an asset as part of film costs for the initial amount of the participation liability.

Production costs and capitalized participation costs should be amortized using the individual-film-forecast-computation method, which requires estimating ultimate gross revenues (UGR). UGR are limited to revenues expected to be received within 10 years of the film's initial release. Amortization should begin when a film is released and revenues from that film are recognized.

Prerelease and early release exploitation costs incurred on a territory-by-territory basis in the theatrical market should be capitalized and amortized over the expected period of exploitation of the film in that theatrical market and territory, not to exceed three months from release date. After the period leading up to the theatrical release of a film in a territory and the initial three-month period, all exploitation costs should be expensed as incurred. Exploitation costs incurred in connection with the release of a film in markets other than the theatrical market should be expensed as incurred.

- Unamortized film costs should be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the film may not be recoverable, in accordance with FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

- Certain disclosures should be made in the financial statements or notes thereto.

This SOP would be effective for financial statements for fiscal years beginning after December 15, 1999, with earlier application encouraged.

The FASB cleared the proposed exposure draft on Sept 18, 1998. The exposure draft was issued October 16, 1998.

Staff: Dan Noll

Nontraditional Long-Duration Contracts

Description and background. In February 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 held an informational discussion on this project in September 1998. AcSEC is scheduled to discuss tentative conclusions reached by the task force on this project at its December 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. AcSEC discussed certain issues regarding time-sharing transactions at its July 1998 meeting. AcSEC agreed that right-to-use transactions, in which title does not pass, should be accounted for similar to operating leases rather than as sales. AcSEC also tentatively voted that time-sharing arrangements that transfer title should be accounted for under the retail-land-sales model of FASB Statement No. 66, *Accounting for Sales of Real Estate*, rather than the other-than-retail-land-sales model of that Statement. AcSEC acknowledged that FASB would have to amend Statement 66 to permit this treatment, and it is not clear whether FASB would be willing to do so. AcSEC will discuss further in October 1998 the implications of adoption of each of the two accounting models of Statement 66. AcSEC will also discuss expensing versus deferral of costs, and methodology for determining an adequate allowance.

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.

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Current developments and plans. In July 1998, AcSEC issued an exposure draft of a proposed SOP, *Modification of the Limitations on Evidence of Fair Value in Software Arrangements*. 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 multiple-element arrangement. It would also 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. Comments on the exposure draft were due by September 30, 1998. AcSEC is scheduled to discuss the comments at its October 1998 meeting.

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 July 1998 meeting, AcSEC discussed the status of a recent letter it sent to FASB recommending that in view of (1) the significant number of standard-setting and practice issues related to the equity method of accounting, and (2) the likelihood the SOP would be analogized to for equity method investments other than real estate, a broader equity method accounting project be taken on by FASB or, alternatively, AcSEC. FASB has agreed to consider AcSEC's recommendation but has not yet indicated a decision. In the meantime AcSEC is continuing to deliberate on this project.

AcSEC redefined an investor's investment exposure, for purposes of determining to what extent an investor is obligated, to include constructive obligations as well as legal obligations. AcSEC will apply the tentative definition of "constructive obligation" adopted by FASB on July 1, 1998 in connection with FASB's asset retirement project. AcSEC also decided to expand its illustrations within the SOP to cover accounting and presentation issues for such items as other comprehensive income, extraordinary items, and discontinued operations.

The proposed SOP will use the "hypothetical liquidation at book value" approach, which is based on the change in an investor's residual interest in an investee, as the basis for measurement of investor income or loss under the equity method. 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 recorded amounts determined in accordance with GAAP and distribute the resulting cash to investors, in accordance with the priority provisions of the ownership or other related agreements.

AcSEC will discuss a revised draft exposure draft in December 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.

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 of the SOP will be incorporated as conforming changes in a new combined Guide, *Financial Institutions: Banks, Credit Unions, Finance Companies, and Savings Institutions*.

Life and Health Insurance Entities. *See page 2.*

Investment Companies. *See page 2.*

Upcoming AcSEC Meetings

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

October 27–28, 1998	New York
December 10–11, 1998	Washington, DC
January 28–29, 1999	San Diego, CA
March 9–10, 1999	New York

OTHER AcSEC ACTIVITIES

At its September 1998 meeting, AcSEC approved a comment letter on the FASB exposure draft, *Transfers of Assets Involving a Not-for-Profit Organization That Raises or Holds Contributions for Others*. AcSEC also did not object to a comment letter on the GASB's proposed Technical Bulletin, *Disclosures about Year 2000 Resources Committed*. In addition, AcSEC discussed a comment letter on the IASC's proposed standard, *Financial Instruments: Recognition and Measurement*.

AcSEC Telephone Line and AICPA Web Site

The AcSEC Telephone Line announces upcoming AcSEC meetings and 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**, and the area containing information pertaining to AcSEC activities is entitled "Accounting Standards Team." This area can be accessed by clicking in the "choose a topic" section underneath "Information Solutions," selecting "Accounting/Financial Reporting," and clicking on "Go." To view minutes of recent AcSEC meetings, click next on "Technical Status Updates" and then "Highlights of Recent AcSEC Meetings."

Comments or Suggestions?

We would welcome any comments or suggestions you may have concerning this publication. Write to Marc Simon at AICPA, 1211 Avenue of the Americas, New York, NY 10036–8775, fax to 212–596–6064, or e-mail to **msimon@aicpa.org.**

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