STATEMENT OF FINA CIAL ACCOUNTING STANDARDS NO. 41

TITLE: Financial Reporting and Changing Prices: Specialized Assets--Income-Producing Real Estate

KEY DATES:	Statement 33 added to Board agenda	January 1974
	Statement 41 added to Board agenda	December 1978
	Exposure for public comment	April 1980
	Public Hearing held	July 1980
	Final Statement issued	November 1980

ISSUE(S) ADDRESSED: Income-producing real estate has certain special features that raise doubts about the usefulness of the current cost measures required by Statement 33 for other assets. Statement 33 recognized this and allowed companies to use the historical cost of income-producing real estate when restated for purchasing power changes as a surrogate for the current cost amount.

SUMMARY OF STANDARD: The standard continues the special requirements outlined in Statement 33 for the measurement of the current cost of income-producing real estate by large publicly held companies. The wording of Statement 33 made it necessary for the FASB to take specific action to continue the special requirements even though no new or revised current cost calculations were developed from the additional consideration given to the nature of these specialized assets.

REASONS FOR ADOPTION: When Statement 33 was being considered, the inherent difficulty in calculating meaningful current cost amounts for specialized assets was recognized. Rather than delaying the issuance of Statement 33 until the specialized asset problems were solved, Statement 33 was issued with special provisions for measuring the current cost of certain specialized assets. This Statement was issued after further attention had been directed to the special circumstances associated with income-producing real estate.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: See summary of Statement 33.

REMAINING ALTERNATIVES, IF ANY: Companies may elect to use estimates of current cost in lieu of the surrogate measure permitted by this Statement, but are unlikely to do so due to the inherent difficulties in measurement.

CRITICISMS OF THE STANDARD: Critics have questioned the appropriateness of using historical cost restated for purchasing power changes as a surrogate for current cost.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: See summary of Statement 33.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 42

TITLE: Determining Materiality for Capitalization of Interest Cost

KEY DATES:		
	Added to Board agenda	January 1980
	Exposure for public comment	April 1980
	Final Statement issued	November 1980

ISSUE(S) ADDRESSED: This Statement clarifies how to determine whether the effect of capitalizing interest is material when compared to the effect of charging interest to expense.

SUMMARY OF STANDARD: The standard amends paragraphs 8 and 9 of Statement 34 to (a) delete language that some believe allows capitalization of interest to be avoided under certain circumstances and (b) make clear that Statement 34 does not establish new tests of materiality.

REASONS FOR ADOPTION: The Board received a number of questions concerning how paragraph 8 of Statement 34 should be construed in deciding whether capitalization of interest is required.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates alternative interpretations of paragraph 8 of Statement 34 and therefore improves comparability and consistency of reporting interest cost capitalization.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some believe the provisions of paragraphs 8 and 9 of Statement 34 should not have been amended because they introduced some flexibility in reporting that minimized the additional cost of implementing a new accounting procedure for many companies.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 43

TITLE: Accounting for Compensated Absences

KEY DATES:	Added to Board agenda	March 1979
	Exposure for public comment	December 1979
	Final Statement issued	November 1980

ISSUE(S) ADDRESSED: An employer may compensate its employees for absences, such as vacation, illness, and holidays. The key accounting question is whether the employer should accrue the obligation for such compensated absences in a period(s) prior to payment or should recognize the cost relating to compensated absences in the period of payment.

SUMMARY OF STANDARD: The standard requires an employer to accrue a liability for employees' compensation for future absences if (a) the obligation relates to services already rendered by employees, (b) the obligation relates to rights that vest (i.e., those rights for which an employer has an obligation to pay even if an employee terminates) or accumulate (i.e, those rights that are earned but unused by an employee and, thus, carried forward to subsequent periods), (c) payment is probable, and (d) the amount can be reasonably estimated.

REASONS FOR ADOPTION: The Accounting Standards Division of the AICPA asked the FASB to consider the alternative practices used by employers to account for compensated absences because of the potential for significant unrecorded or understated liabilities in many cases.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates the alternative practice of recognizing the cost of compensated absences when paid, eliminates a potential for understating liabilities, and enhances comparability.

REMAINING ALTERNATIVES, IF ANY: Certain sick-pay benefits that are dependent on an employee's future illness may be--but are not required to be--accrued because, in general, the obligation cannot be estimated reliably, is often not a material amount, and the cost of estimating and accruing may not be justified.

CRITICISMS OF THE STANDARD: Some question whether the informational benefits of accruing any compensated absences justify the cost of doing so, especially for small businesses.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 44

TITLE: Accounting for Intangible Assets of Motor Carriers

KEY DATES:		
	Added to Board agenda	July 1980
	Exposure for public comment	October 1980
	Final Statement issued	December 1980

ISSUE(S) ADDRESSED: Motor carriers sometimes have acquired certain operating rights such as the right to provide transportation services with limited competition and the right to market such services. The key accounting issue relates to the treatment of the permanent impairment of the value of such rights that resulted due to the enactment of the Motor Carrier Act of 1980.

SUMMARY OF STANDARD: The standard required that the portion of intangible assets that represented interstate rights to transport goods with limited competition be separately identified and written off (as extraordinary items if material).

REASONS FOR ADOPTION: The July 1, 1980 enactment of the Motor Carrier Act of 1980 deregulated motor carriers and raised questions regarding whether certain intangible assets of motor carriers should continue to be reported as assets or charged to income. Further, prior to the Statement, most motor carriers had not distinguished between operating rights acquired from the ICC or other licensing agencies, from motor carriers, or through business combinations, nor had they distinguished operating rights from other purchased intangibles in their financial statements.

HOW THE STANDARD IMPROVED PREVIOUS PRACTICE: The standard gave appropriate accounting consideration to the loss of limited competition that resulted from the enactment of the Motor Carrier Act of 1980.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some argued that the deregulation ensuing from the Motor Carrier Act of 1980 did not result in a permanent reduction in the value of interstate operating rights that required recognition of such impairment. Those parties also argued that differentiation between operating rights and other intangible assets of motor carriers had inappropriately placed emphasis on the form of such rights over their true substance as assets expected to contribute to future net cash inflows.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 45

TITLE: Accounting for Franchise Fee Revenue

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	December 1980
	Final Statement issued	March 1981

ISSUE(S) ADDRESSED: This Statement addresses when to recognize franchise fee revenue. A franchise is a contractual agreement in which one party grants business rights to another party to operate the franchised business.

SUMMARY OF STANDARD: The standard requires that franchise fee revenue from individual and area franchise sales be recognized only when all material services or conditions relating to the sale have been substantially performed or satisfied.

REASONS FOR ADOPTION: The standard extracts the specialized accounting principles and practices from the AICPA Industry Accounting Guide, "Accounting for Franchise Fee Revenue," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies to apply the same principles for these transactions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 46

TITLE: Financial Reporting and Changing Prices: Motion Picture Films

KEY DATES:		
	Statement 33 added to Board agenda	January 1974
	Statement 46 added to Board agenda	January 1981
	Exposure for public comment	February 1981
	Final Statement issued	March 1981

ISSUE(S) ADDRESSED: Motion picture films have certain characteristics that make it difficult to calculate the current cost amounts to be included in the supplementary disclosures required by Statement 33.

SUMMARY OF STANDARD: The standard allows the historical cost (when restated for purchasing power changes) to be used as a surrogate for the current cost of motion picture films.

REASONS FOR ADOPTION: Motion picture films are specialized assets for which current cost estimates are particularly difficult and inherently imprecise. Motion picture films are similar to the other specialized assets for which the use of the historical cost is allowed as a surrogate for the current cost disclosures required by Statement 33.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: See summary of Statement 33.

REMAINING ALTERNATIVES, IF ANY: Companies may elect to use estimates of current cost in lieu of the surrogate measure permitted by this Statement, but are unlikely to do so due to the inherent difficulties in measurement.

CRITICISMS OF THE STANDARD: Critics have questioned the appropriateness of using historical cost restated for purchasing power changes as a surrogate for current cost.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: See summary of Statement 33.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 47

TITLE: Disclosure of Long-Term Obligations

KEY DATES:		
	Added to Board agenda	December 1979
	First exposure for public comment	March 1980
	Second exposure for public comment	November 1980
	Final Statement issued	March 1981

ISSUE(S) ADDRESSED: Companies sometimes enter into project financing arrangements in which a lender looks principally to the cash flows and earnings of the project as the source of funds for repayment and to the assets of the project as collateral for the loan. Take-or-pay and throughput contracts and other unconditional purchase obligations are usually associated with project financing arrangements.

SUMMARY OF STANDARD: The standard requires disclosure of commitments under unconditional purchase obligations that are associated with suppliers' financing arrangements. The standard also requires disclosure of future payments on long-term borrowings and redeemable stock.

REASONS FOR ADOPTION: The Board was asked to consider whether unconditional purchase obligations and indirect guarantees of indebtedness of others result in participants acquiring ownership interests and obligations to make future cash payments that should be recognized as assets and liabilities on their balance sheets.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires disclosure by a company of noncancelable commitments. Such disclosure is helpful to the users of financial statements in assessing the future cash flows and risks of the company.

REMAINING ALTERNATIVES, IF ANY: The standard requires disclosure of unconditional purchase obligations but does not address the circumstances in which such obligations should be reported as liabilities on the balance sheet.

CRITICISMS OF THE STANDARD: Some criticized the standard on the grounds that the requirements of Statement 5 were sufficient to address the disclosure of unconditional purchase obligations and that this Statement was unnecessary. Also, some argued that disclosure of such obligations was not needed when it was only remotely possible that payment would be required without the purchaser receiving an asset of comparable value in return. Some said that disclosure of obligations for each of the next five years might convey a notion of a contractual period longer than was realistic.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 48

TITLE: Revenue Recognition When Right of Return Exists

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	February 1981
	Final Statement issued	June 1981

ISSUE(S) ADDRESSED: This Statement specifies how a company should account for sales of its product in which the buyer has a right to return the product.

SUMMARY OF STANDARD: The Statement requires a seller to recognize revenues from sales of its product, for which the buyer has a right to return the product, at the time of sale only if certain conditions specified in the standard are met. If those conditions are not met, recognition of revenue is postponed.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Statement of Position 75-1, "Revenue Recognition When Right of Return Exists," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies to apply the same accounting principles for these transactions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 49

TITLE: Accounting for Product Financing Arrangements

KEY DATES:	Added to Board agenda	September 1979
	Exposure for public comment	February 1981
	Final Statement issued	June 1981

ISSUE(S) ADDRESSED: This Statement addresses an arrangement involving the sale of inventory that in substance is a financing arrangement. A product financing arrangement is a transaction in which a company sells and agrees to repurchase inventory with the repurchase price equal to the original sale price plus carrying and financing costs.

SUMMARY OF STANDARD: The standard requires that a product financing arrangement be accounted for as a borrowing rather than as a sale.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Statement of Position 78-8, "Accounting for Product Financing Arrangements," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies to apply the same accounting principles for these transactions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 50

TITLE: Financial Reporting in the Record and Music Industry

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	June 1981
	Final Statement issued	November 1981

ISSUE(S) ADDRESSED: This Statement addresses revenue and expense recognition in licensing arrangements by licensors and licensees in the record and music industry.

SUMMARY OF STANDARD: If a license agreement is, in substance, an outright sale and collectibility of the licensing fee is reasonably assured, the standard requires the licensor to recognize the licensing fee as revenue. The standard requires a licensee to record minimum guarantees as assets and charge them to expense in accordance with the terms of the license agreement.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Statement of Position 76-1, "Accounting Practices in the Record and Music Industry," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to follow the same principles.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 51

TITLE: Financial Reporting by Cable Television Companies

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	June 1981
	Final Statement issued	November 1981

ISSUE(S) ADDRESSED: This Statement addresses the accounting for costs, expenses, and revenues by cable television companies.

SUMMARY OF STANDARD: During the period a cable television system is partially under construction and partially in service (referred to as the "prematurity" period). The standard requires a special pattern of depreciation and amortization of the costs of the plant to correspond to the percentage of the system that is in service. The standard also includes guidance on the definition of the prematurity period and the types of costs that must be capitalized or charged immediately to expense.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from the AICPA Statement of Position 79-2, "Accounting by Cable Television Companies," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to apply the same accounting principles.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 52

TITLE: Foreign Currency Translation

KEY DATES:		
	Added to Board agenda	January 1979
	First exposure for public comment	August 1980
	Public Hearing held	December 1980
	Second exposure for public comment	June 1981
	Final Statement issued	December 1981

ISSUE(S) ADDRESSED: Comprehensive reconsideration of Statement 8

SUMMARY OF STANDARD: In contrast to Statement 8, which viewed all foreign operations from a U.S. dollar perspective, Statement 52 takes a "functional currency" perspective. It recognizes two classes of foreign operations: those that are an extension of the parent's domestic operations, such as a sales office that sells a product manufactured by its U.S. parent, and those that are relatively self-contained and integrated within the foreign country, such as a subsidiary that manufactures a product using locally obtained materials and labor and prices and that sells that product locally. The functional currency of the first sort of foreign operation is the U.S. dollar; the functional currency of the second is the foreign currency. The requirements for U.S. dollar operations are essentially the same as Statement 8 (i.e., translate using the exchange rate in effect at the date at which the foreign currency price was measured). If the functional currency is a foreign currency, all financial statement accounts of the foreign entity are translated at the current exchange rate, and the resulting translation adjustment is reported separately and accumulated in equity without being included in earnings.

REASONS FOR ADOPTION: Statement 8 was widely criticized for its perceived failure to portray the underlying economic reality of many foreign operations. There was a widespread view that the financial statements of many companies prepared in accordance with Statement 8 misrepresented their real performance. There also were charges that Statement 8 encouraged companies to enter into hedges of accounting exposure to offset Statement 8's significant effects on earnings, although that accounting exposure did not coincide with the company's economic exposure.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard overcomes the more serious and frequent criticisms of Statement 8 and provides a way for financial statements to reflect underlying circumstances of differing foreign operations.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: During the deliberations leading to Statement 52, some disagreed with the basic premise of the Statement, preferring instead the Statement 8 approach under which all translation adjustments would flow through income. Statement 52 requires management to use its judgment to determine the functional currencies of its foreign operations. The outcome of that process significantly affects the financial statements. Although some were concerned that the standard would permit too much flexibility to choose between methods, there has been little criticism to date.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None. The Statement supersedes Statement 1, 8 and 20. However, with the strengthening U.S. dollar, some recent newspaper articles have called attention to the growing accumulation in equity of translation adjustments that have never gone through the income statement.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 53

TITLE: Financial Reporting by Producers and Distributors of Motion Picture Films

KEY DATES:

Added to Board agenda	September 1979
Exposure for public comment	June 1981
Final Statement issued	December 1981

ISSUE(S) ADDRESSED: This Statement addresses recognition of revenues and expenses by producers and distributors of motion picture films.

SUMMARY OF STANDARD: The standard specifies that exhibition rights transferred under license agreements for television program material shall be accounted for like sales by the licensor. The sale shall be recognized by the licensor when the license period begins and certain specified conditions have been met. Producers and distributors that license film exhibition rights to movie theaters generally shall recognize revenue when the films are shown.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Industry Accounting Guide, "Accounting for Motion Picture Films," and AICPA Statement of Position 79-4, "Accounting for Motion Picture Films," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to apply the same principles.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: The markets, distribution channels, and revenue arrangements relating to motion pictures have changed since the original AICPA Industry Accounting Guide was issued in 1973. The newer transactions are not addressed in Statement 53. The SEC staff has criticized the adequacy of disclosures about unamortized film costs required by the standard, and industry has voluntarily expanded disclosures in response to the SEC staff concern.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 54

TITLE: Financial Reporting and Changing Prices: Investment Companies

KEY DATES:		
	Statement 33 added to Board agenda	January 1974
	Statement 54 added to Board agenda	November 1981
	Exposure for public comment	November 1981
	Final Statement issued	January 1982

ISSUE(S) ADDRESSED: Investment companies that met the size tests of Statement 33 were required to present the information prescribed by that Statement. However, because investment companies use market value accounting, many argued that the information required in Statement 33 was not necessary.

SUMMARY OF STANDARD: The standard exempts investment companies from all disclosure requirements found in Statement 33.

REASONS FOR ADOPTION: Investment companies account for securities at current value and already provide much of this information in their primary financial statements; the remainder that is relevant can be readily determined by financial statement readers.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates a requirement imposed by Statement 33 that the Board concluded provided little useful information for investment companies and was not necessary to meet the objectives of that Statement.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Critics have argued that the required disclosures are inappropriate for other companies besides investment companies. Therefore, they said, exemptions should have been granted for these other companies as well.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 55

TITLE: Determining whether a Convertible Security Is a Common Stock Equivalent

KEY DATES:		
	Added to Board agenda	September 1981
	Exposure for public comment	November 1981
	Final Statement issued	February 1982

ISSUE(S) ADDRESSED: This Statement addresses the determination of whether a convertible security is a common stock equivalent and therefore included in the computation of primary earnings per share.

SUMMARY OF STANDARD: The standard replaces the "bank prime interest rate" benchmark with an "average Aa corporate bond yield" benchmark in the common stock equivalency test (the "cash yield test") in APB Opinion 15.

REASONS FOR ADOPTION: Under the cash yield test in Opinion 15, a convertible security was considered a common stock equivalent at the time of issuance if, based on its market price, it had a cash yield (ratio of cash to be received annually to the market value of the security) of less than 66 2/3 % of the then current prime interest rate. The bank prime interest rate was originally adopted for this test because it was practicable and had a high correlation to the rates of return on long-term debt and preferred stock. However, in the few years preceding the issuance of Statement 55, the bank prime interest rate became volatile and certain countries experienced an inverted yield curve, in which short-term interest rates exceed long-term rates. During this period, the effect of applying the cash yield test was to categorize as common stock equivalents convertible securities with cash yields that were similar to those of comparable securities without a conversion option. The Board believed that such a conclusion was not intended by Opinion 15 and therefore decided to amend it by substituting a new benchmark interest rate.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: Under present changed conditions, Statement 55 allows Opinion 15 to continue to operate as intended, which is to identify as a common stock equivalent convertible securities that have a yield to the holder significantly below the yield of a similar security without a conversion option.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Critics of Statement 55 question whether information about primary earnings per share based on the common stock equivalency notion of Opinion 15 is useful. Accordingly, they believe that rather than change the calculation, the Board should eliminate the notion of common stock equivalency.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 56

TITLE: Designation of AICPA Guide and Statement of Position (SOP) 81-1 on Contractor Accounting and SOP 81-2 concerning Hospital-Related Organizations as Preferable for Purposes of Applying APB Opinion 20

KEY DATES:

Added to Board agenda	September 1979
Exposure for public comment	November 1981
Final Statement issued	February 1982

ISSUE(S) ADDRESSED: This Statement addresses the preferability of accounting specified in certain AICPA pronouncements for justifying a change in accounting principles as required by APB Opinion 20, "Accounting Changes."

SUMMARY OF STANDARD: The standard specifies that the specialized accounting and reporting principles and practices contained in the AICPA "Audit and Accounting Guide for Construction Contractors" and in AICPA Statements of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts," and 81-2, "Reporting Practices concerning Hospital-Related Organizations," are preferable accounting principles for purposes of justifying a change in accounting principles under Opinion 20. See summary of Statement 32.

REASONS FOR ADOPTION: After the Board agreed to exercise responsibility for specialized principles and practices, there was uncertainty in practice about the ongoing status of the specialized accounting and reporting principles and practices contained in the AICPA Statements of Position and Industry Guides on accounting and auditing matters. The Board addressed that concern in Statement 32. This Statement updates Statement 32 for AICPA pronouncements that were issued after Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: See summary of Statement 32.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 57

TITLE: Related Party Disclosures

KEY DATES:	Added to Board agenda	April 1981
	Exposure for public comment	November 1981
	Final Statement issued	March 1982

ISSUE(S) ADDRESSED: Relationships between parties may enable one of the parties to exercise a degree of influence over the other such that the influenced party may be favored or caused to subordinate its independent interests. The resulting transactions may be affected significantly by considerations other than those in arm's-length transactions with unrelated parties. This Statement provides guidance on disclosure of transactions between related parties.

SUMMARY OF STANDARD: The standard requires financial statements to include disclosure of material related party transactions other than compensation arrangements, expense allowances, and other similar items in the ordinary course of business. The disclosures include (a) the nature of the relationship, (b) a description of the transactions, (c) the dollar amounts of the transactions, and (d) amounts due from or to related parties and the terms and manner of settlement. If the reporting company and one or more other companies are under common ownership or management control and the existence of that control could result in operating results or financial position of the reporting company significantly different from those that would have been obtained if the companies were autonomous, the nature of the control relationship must be disclosed even though there are no transactions between the companies.

REASONS FOR ADOPTION: AICPA Statement on Auditing Standards 6, "Related Party Transactions" (SAS 6), provides guidance on related party financial statement disclosures. However, authoritative auditing pronouncements are intended to direct the activities of auditors, not of accountants who prepare financial statements. Because guidance for related party disclosures was not included in the authoritative literature on generally accepted accounting principles, the AICPA asked the FASB to consider providing such guidance in a Statement of Financial Accounting Standards. The related party disclosure requirements contained in Statement 57 were extracted from SAS 6 without significant change, except that this Statement does not address issues pertaining to economic dependency (see accounting or implementation problems that remain, below).

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: Though the standard reaffirms existing guidance, it now makes the requirements part of generally accepted accounting principles (rather than generally accepted auditing standards) and thus applicable to unaudited financial statements as well.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: None.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: This Statement does not provide guidance for disclosures in situations in which an entity may be economically dependent on one or more parties with which it transacts a significant volume of business, such as a sole or major customer, supplier, franchisor, franchisee, distributor, general agent, borrower, or lender. However, Statement 14 requires disclosure of information about major customers.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 58

TITLE: Capitalization of Interest Cost in Financial Statements That Include Investments Accounted for by the Equity Method

KEY DATES:		
	Added to Board agenda	December 1980
	Exposure for public comment	September 1981
	Final Statement issued	April 1982

ISSUE(S) ADDRESSED: This Statement addresses whether Statement 34 distinguishes qualifying assets owned by a parent and consolidated subsidiaries from those owned by unconsolidated subsidiaries, joint ventures, and other investees accounted for by the equity method for purposes of determining the amount of interest cost to be capitalized in the investor's (consolidated) financial statements.

SUMMARY OF STANDARD: The standard limits the capitalization of consolidated interest cost to qualifying assets of the parent company and consolidated subsidiaries. However, investments accounted for by the equity method may qualify for interest capitalization in the consolidated statements while the investee is preparing for the beginning of its planned principal operations.

REASONS FOR ADOPTION: The standard was issued to clarify the limitations of Statement 34 relating to the capitalization of interest cost in situations involving investees accounted for by the equity method.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates alternative interpretations of paragraphs 9, 10, and 20 of Statement 34 and also eliminates inconsistencies between Statement 34 and certain previous accounting pronouncements.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some believed that, since an investee is subject to the requirements of Statement 34 and therefore capitalizes its own interest on qualifying assets, consolidated interest should never be capitalized on the investor's investment in an investee.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 59

TITLE: Deferral of the Effective Date of Certain Accounting Requirements for Pension Plans of State and Local Governmental Units

KEY DATES:

Added to Board Agenda	January 1982
Exposure for public comment	February 1982
Final Statement issued	April 1982

ISSUE(S) ADDRESSED: This Statement addressed defined benefit pension plans that are sponsored by state and local governments.

SUMMARY OF STANDARD: The standard deferred the effective date of Statement 35 for 18 months for defined benefit pension plans that are sponsored by state and local governments. Statement 75 was later issued to extend that deferral indefinitely.

REASONS FOR ADOPTION: The Board received a request from the National Council on Governmental Accounting (NCGA) to suspend Statement 35 as it applies to pension plans sponsored by state and local governmental units. In December 1981, the NCGA issued Interpretation 4, "Accounting and Financial Reporting for Public Employee Retirement Systems and Pension Trust Funds." The Interpretation differed from Statement 35 in certain respects. To avoid conflicting guidance, the FASB and its staff discussed with NCGA representatives the possibility of deferring the applicability of both Statement 35 and NCGA Interpretation 4 until a new structure for setting accounting standards for state and local governments was established. In March 1982, the NCGA voted to change the effective date of its Interpretation.

HOW THE STANDARD IMPROVED PREVIOUS PRACTICE: During the period since Board deliberations on Statement 35, efforts to establish a new structure for setting accounting standards for state and local governmental units were being made. The Board believed that those efforts would not be facilitated by the imposition of new standards or by the existence of differing standards issued by different bodies.

REMAINING ALTERNATIVES, IF ANY: This Statement was adopted to permit alternatives to continue until bodies dealing with governmental accounting could complete their work on the issue.

CRITICISMS OF THE STANDARD: None.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: Pension plans of state and local governmental units may currently provide information on any of several different bases. These problems are currently being addressed in the Governmental Accounting Standards Board's pension project.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 60

TITLE: Accounting and Reporting by Insurance Enterprises

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	November 1981
	Final Statement issued	June 1982

ISSUE(S) ADDRESSED: This Statement addresses accounting and reporting by life insurance companies, property and liability insurance companies, and title insurance companies.

SUMMARY OF STANDARD: The Statement requires that premiums from short-duration contracts ordinarily be recognized as revenue over the period of the contract in proportion to the amount of insurance protection provided. Premiums from long-duration contracts are required to be recognized as revenue when due from policyholders. Costs that vary with and are primarily related to the acquisition of insurance contracts are required to be capitalized and charged to expense in proportion to premium revenue recognized.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Industry Audit Guides, "Audits of Stock Life Insurance Companies," and "Audits of Fire and Casualty Insurance Companies" and Statements of Position 78-6, 79-3, and 80-1 to make those principles a part of the authoritative literature under the auspices of the FASB (portions of APB Opinion 23 were also extracted). See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to apply the same accounting principles.

REMAINING ALTERNATIVES, IF ANY: This Statement does not address issues that currently are being studied by the insurance industry and the accounting and actuarial professions, as discussed under "Accounting or Implementation Problems That Remain."

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: The Board recently added to its agenda a project that will address certain insurance industry issues including new products such as universal life insurance contracts, issues related to short-duration contracts, and economic risk under a reinsurance contract.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 61

TITLE: Accounting for Title Plant

KEY DATES:	Added to Board agenda	September 1979
	Exposure for public comment	November 1981
	Final Statement issued	June 1982

ISSUE(S) ADDRESSED: This Statement addresses the accounting by companies, such as title insurance companies, that use a title plant, which is a historical record of all matters affecting title to parcels of land in a particular geographic area.

SUMMARY OF STANDARD: The standard requires that costs directly incurred to construct a title plant be capitalized until the company can use the title plant to do title searches. The standard also requires that capitalized costs of a title plant not be depreciated and that costs of maintaining a title plant and doing title searches be expensed as incurred.

REASONS FOR ADOPTION: This Statement extracts specialized accounting principles and practices from AICPA Statement of Position 80-1, "Accounting for Title Insurance Companies," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to apply the same principles.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 62

TITLE: Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants

KEY DATES:		
	Added to Board agenda	October 1981
	Exposure for public comment	December 1981
	Final Statement issued	June 1982

ISSUE(S) ADDRESSED: This Statement addresses capitalization of interest cost in situations when qualifying assets are acquired using gifts or grants that are restricted by the donor or grantor to the purchase of those assets. In addition, this Statement addresses the offsetting of interest income against interest cost to be capitalized in certain circumstances involving externally restricted tax-exempt borrowings (i.e., many governmental borrowings and most government-sponsored borrowings).

SUMMARY OF STANDARD: The standard prohibits interest capitalization on qualifying assets to the extent that they are acquired using gifts or grants restricted to the acquisition of those assets. Also, the standard requires capitalization of the net interest (interest cost reduced by earnings from temporary investment of borrowed funds) related to externally restricted tax-exempt borrowings from the date of borrowing until the qualified assets acquired with those borrowings are ready for their intended use.

REASONS FOR ADOPTION: The standard was issued to provide authoritative guidance on interest capitalization on qualifying assets using gifts or grants and to reconsider the guidance in Technical Bulletin 81-5, "Offsetting Interest Cost to be Capitalized with Interest Income."

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard clarifies the application of Statement 34 in certain special circumstances to improve comparability.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some believed this Statement incorrectly merged the accounting for three dissimilar business activities: the borrowing of funds, the temporary investment of funds, and the acquisition of capital assets. Others criticized the Statement for limiting the offsetting of interest income against interest cost to only tax-exempt borrowings.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 63

TITLE: Financial Reporting by Broadcasters

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	June 1981
	Final Statement issued	June 1982

ISSUE(S) ADDRESSED: This Statement addresses accounting for the program rights and related license fees by the broadcasting industry.

SUMMARY OF STANDARD: The Statement requires exhibition rights acquired under a license agreement for program material to be accounted for as a purchase of rights by the licensee. The asset and liability for a license agreement is reported by the licensee at either the present value or the gross amount of the liability when the license period begins and certain specified conditions have been met. The standard also establishes standards of reporting by broadcasters for barter transactions and network affiliation agreements.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Statement of Position 75-5, "Accounting in the Broadcasting Industry," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to apply the same accounting principles, except as noted under "Remaining Alternatives."

REMAINING ALTERNATIVES, IF ANY: As noted above, broadcasters may report assets and liabilities relating to license agreements at either the gross receivable and payable amounts or at discounted amounts.

CRITICISMS OF THE STANDARD: Some believed that the standard should not designate as equally acceptable two different methods of accounting for the asset and liability arising from license agreements under identical facts and circumstances. In addition, see summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 64

TITLE: Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements

KEY DATES:		
	Added to Board agenda	February 1982
	Exposure for public comment	February 1982
	Final Statement issued	September 1982

ISSUE(S) ADDRESSED: Companies can extinguish (effectively pay off) debt issues by buying the debt for sinking-fund requirements. The key accounting issue is whether to classify gains and losses from extinguishments of debt made to satisfy future sinking-fund requirements as ordinary or extraordinary items for income statement presentation.

SUMMARY OF STANDARD: The standard provides that gains and losses from extinguishments of debt made to satisfy sinking-fund requirements that a company must meet within one year of the date of the extinguishment are not required to be classified as extraordinary items. The standard further provides that the classification of gains and losses from extinguishments of debt made to satisfy sinking-fund requirements are to be determined without regard to the means used to achieve the extinguishment.

REASONS FOR ADOPTION: The FASB had been advised that diverse accounting practices had developed relating to the classification of gains and losses from debt extinguishments made to satisfy sinking-fund requirements and that such diverse practices should be limited. Additionally, the Board believed that the classification of such gains and losses should not be based on the means used to effect the extinguishments but should be similar for all extinguishments resulting in similar disposition of the debt.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates the alternative treatment previously afforded the classification of gains and losses on extinguishments of debt made to satisfy sinking-fund requirements, thereby enhancing comparability of financial information.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some believed that the requirements of APB Opinion 30 should continue to govern the determination of ordinary versus extraordinary item classification of gains and losses from extinguishments of debt made to satisfy sinking-fund requirements.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 65

TITLE: Accounting for Certain Mortgage Banking Activities

KEY DATES:	Added to Board agenda	September 1979
	Exposure for public comment	February 1982
	Final Statement issued	September 1982

ISSUE(S) ADDRESSED: This Statement addresses mortgage banking activities that primarily consist of two separate but interrelated activities: (a) the origination or acquisition of mortgage loans and the sale of the loans to permanent investors and (b) the subsequent long-term servicing of the loans.

SUMMARY OF STANDARD: The Statement requires mortgage loans and mortgage-backed securities held for sale to be reported at the lower of cost or market value. Origination costs associated with loan applications received directly from borrowers are expensed as period costs. The premium paid for the right to service loans in a purchase of mortgage loans ordinarily is capitalized as the cost of acquiring that right. Loan origination fees, to the extent that they represent reimbursement of loan origination costs, are recognized as revenue when received. Origination fees in excess of costs are recognized as revenue when the loans are sold to permanent investors or over time if the loans are held as investments. Fees for services performed by third parties and loan placement fees are recognized as revenue when all significant services have been performed. Land acquisition, development, and construction loan fees and standby and gap commitment fees are recognized as revenue over the combined commitment and loan periods.

REASONS FOR ADOPTION: This Statement extracts specialized accounting principles and practices from AICPA Statements of Position 84-12 and 76-2 to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies to apply the same principles in these transactions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: Questions have been raised about whether some companies effectively are conducting mortgage banking activities (particularly savings and loans) and therefore should be applying the provisions of Statement 65. (Savings and loans do not generally carry their mortgages at the lower of cost or market value as required by Statement 65 for mortgage banking activities of all entities.)

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 66

TITLE: Accounting for Sales of Real Estate

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	December 1981
	Final Statement issued	October 1982

ISSUE(S) ADDRESSED: This Statement addresses accounting for sales of real estate.

SUMMARY OF STANDARD: For retail land sales, the standard requires that the seller's receivables from the land sales be collectible and that the seller have no significant remaining obligations for construction or development before profits are recognized by the full accrual method. Other sales in retail land sales projects are to be reported under either the percentage-of-completion or the installment method, for which the standard establishes criteria based on the collectibility of the seller's receivables from the land sales and the seller's remaining obligations.

For other sales of real estate, the standard provides for profit recognition by the full accrual and several other methods, depending on whether a sale has been consummated, the extent of the buyer's investment in the property being sold, whether the seller's receivable is subject to future subordination, and the degree of the seller's continuing involvement with the property after the sale.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Industry Accounting Guides, "Accounting for Profit Recognition on Sales of Real Estate and Accounting for Retail Land Sales," and Statements of Position 75-6, "Questions Concerning Profit Recognition on Sales of Real Estate," and 78-4, "Application of the Deposit, Installment, and Cost Recovery Methods in Accounting for Sales of Real Estate," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to apply the same accounting principles for these transactions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32. Also, some have criticized certain specific percentage tests for profit recognition in the Statement as arbitrary.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: This Statement includes a number of provisions that can be difficult to apply to transactions that were not contemplated at the time the guidance was issued. In addition, questions have arisen concerning the interaction between this document and Statement 13.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 67

TITLE: Accounting for Costs and Initial Rental Operations of Real Estate Projects

KEY DATES:		
	Added to Board agenda	September 1979
	Exposure for public comment	December 1981
	Final Statement issued	October 1982

ISSUE(S) ADDRESSED: This Statement addresses accounting for acquiring, constructing, selling, and renting real estate projects.

SUMMARY OF STANDARD: The standard establishes whether costs associated with acquiring, developing, constructing, selling, and renting real estate projects should be capitalized. Guidance also is provided on the appropriate methods of allocating capitalized costs to individual components of a project. The standard also establishes that a rental project changes from nonoperating when it is substantially completed and held available for occupancy, i.e., upon completion of tenant improvements but no later than one year from cessation of major construction activities. At that time, costs should no longer be capitalized.

REASONS FOR ADOPTION: This Statement extracts the specialized accounting principles and practices from AICPA Statements of Position 80-3, "Accounting for Real Estate Acquisition, Development, and Construction Costs," and 78-3, "Accounting for Costs to Sell and Rent, and Initial Rental Operations of, Real Estate Projects," and AICPA Industry Accounting Guide, "Accounting for Retail Land Sales," to make those principles a part of the authoritative literature under the auspices of the FASB. See summary of Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard requires all companies in the industry to apply the same accounting principles for these transactions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 68

TITLE: Research and Development Arrangements

KEY DATES:		
	Added to Board agenda	October 1981
	Exposure for public comment	April 1982
	Final Statement issued	October 1982

ISSUE(S) ADDRESSED: A company wants to conduct research and development (R&D) activities but, for various business reasons, it does not want to fund the activities solely. The company enters into an arrangement whereby others will provide some or all of the funding for the R&D. After the R&D is completed, the company has the right to pay the other parties and obtain the exclusive rights to the results of the R&D efforts.

SUMMARY OF STANDARD: This Statement specifies criteria that generally classify R&D arrangements either as financing arrangements or as contractual arrangements to perform R&D for others. If the company is committed to repay some or all of the funds to the other parties even if the R&D effort is unsuccessful, the company must record a liability for the R&D arrangement. On the other hand, to the extent the company is obligated to repay the other parties only if the R&D effort is successful, amounts received by the company are recognized as income as the company completes its obligations under the R&D arrangement. Guidance is also provided on assessing whether unstated commitments to repay the other parties, particularly related parties, should be presumed to exist.

REASONS FOR ADOPTION: The standard was issued because of a divergence in accounting for research and development arrangements. Given similar facts and circumstances, some companies would view the amount received from others to fund the R&D activities as income and some companies would view the amount as borrowed funds.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard enhances comparability by providing criteria for determining when companies that enter into R&D arrangements must treat the arrangements as borrowings.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some view the Statement as endorsing a form of "off-balance-sheet" financing in circumstances when it requires accounting for an R&D arrangement as a contract to perform R&D for others. They think all R&D arrangements should be reported as borrowings.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: An implementation question related to the subsequent purchase of the R&D efforts by the company was answered in Technical Bulletin No. 84-1.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 69

TITLE: Disclosures about Oil and Gas Producing Activities

KEY DATES:		
	Added to Board agenda	March 1981
	Invitation to Comment	May 1981
	Public Hearing held	August 1981
	Exposure for public comment	April 1982
	Final Statement issued	November 1982

ISSUE(S) ADDRESSED: This Statement provides for certain disclosures to be provided by all companies engaged in oil- and gas-producing activities. The Statement prescribes disclosures; it does not affect the accounting by those companies.

SUMMARY OF STANDARD: The standard specifies disclosures regarding the method of accounting for costs incurred in oil- and gas-producing activities, the amounts of proved oil and gas reserve quantities, cost related to producing activities and results of operations, and a standardized measure of discounted net cash flows related to crude oil and gas reserve quantities.

REASONS FOR ADOPTION: This Statement was issued so that financial statement users could have information about and could make comparisons between oil- and gas-producing companies that follow significantly different accounting methods. Previous attempts to establish uniform accounting for oil- and gas-producing companies had been unsuccessful (see summaries of Statements 19 and 25). In 1978, the SEC proposed to develop reserve recognition accounting (RRA) as an alternative to the successful efforts and full cost methods the Board had addressed in Statement 19. In February 1981, the SEC stated that the Commission no longer considered RRA to be a potential method of accounting the primary financial statements of oil and gas producers. The Commission also indicated its support of an undertaking by the FASB to develop a comprehensive package of disclosures for those engaged in oil- and gas-producing activities consistent with the Energy Policy and Conservation Act.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard provides for a uniform system of disclosure to be followed by all oil- and gas-producing companies that are publicly traded.

REMAINING ALTERNATIVES, IF ANY: Companies may still choose between the successful efforts and full cost methods of accounting in the primary financial statements.

CRITICISMS OF THE STANDARD: Some have questioned the reliability and usefulness of the disclosures mandated by the standard. Some also have criticized the use of current oil and gas prices (rather than estimates of future price changes) and the use of a single discount rate. Others state that the disclosures are useful but assert that even greater detail should be provided.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: There is some diversity in the computation of some elements of the standardized measure of discounted net cash flow. For example, some companies have used different approaches to measure the effects of income taxes on future cash flows.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 70

TITLE: Financial Reporting and Changing Prices: Foreign Currency Translation

KEY DATES:		
	Added to Board agenda	October 1981
	Exposure for public comment	December 1981
	Final Statement issued	December 1982

SUBJECT ADDRESSED: This Statement amends Statement 33, Financial Reporting and Changing Prices, to implement revisions to the supplementary information about the effects of changing prices necessitated by changes in the method of translating foreign currency financial statements set out in Statement 52, Foreign Currency Translation.

SUMMARY OF STANDARD: The standard exempts a company that measures a significant part of its operations in functional currencies other than the U.S. dollar from the Statement 33 constant dollar disclosure requirements (but not from the current cost disclosure requirements). Current cost amounts should be measured in the functional currency and then translated into U.S. dollars in accordance with Statement 52. Adjustments to current cost amounts to reflect the effects of general inflation should be based on either the U.S. CPI (the translate/restate method) or functional currency general price level indexes (the restate/translate method). Companies using the U.S. dollar as the functional currency are not affected by Statement 70.

REASONS FOR ADOPTION: Statement 33 on changing prices disclosures requires the presentation of certain supplementary information in terms of constant dollars and current costs. At the time Statement 33 was issued, Statement 8 governed the translation of foreign currency financial information. Statement 8 was superseded in December 1981 by Statement 52. As a result, it was necessary to modify the Statement 33 information on foreign operations of U.S. companies subject to Statement 33.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: Statement 70 amended Statement 33 to be consistent with the requirements of Statement 52 when applied to the changing prices disclosure requirements.

REMAINING ALTERNATIVES, IF ANY: As noted above, both the translate/restate method and the restate/translate method are permitted to reduce the burden of complying with the Statement.

CRITICISMS OF THE STANDARD: Some believe that continuing to require companies that use foreign functional currencies for a significant part of their operations to disclose current cost information imposes a cost greater than the potential benefit.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 71

TITLE: Accounting for the Effects of Certain Types of Regulation

KEY DATES:		
	Added to Board agenda	November 1977
	Discussion Memorandum issued	December 1979
	Public Hearing held	May 1980
	Exposure for public comment	March 1982
	Final Statement issued	December 1982

ISSUE(S) ADDRESSED: This Statement addresses how a company whose rates are regulated on the basis of its costs of providing service should reflect the effects of that regulation in its financial statements.

SUMMARY OF STANDARD: The standard acknowledges that the rate actions of a regulator can create assets, eliminate assets, and impose liabilities. Thus, a regulated company can defer certain costs when a regulator promises recovery of those costs through future revenue, even though an unregulated company could not defer similar costs.

REASONS FOR ADOPTION: This Statement was adopted to resolve a number of problems that had occurred in applying the previous guidance on this subject to new types of transactions and to the changing regulatory environment that has resulted from a national policy of deregulation. The previous guidance was extremely brief, and differences in practice were identified as needing resolution.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: Differences in accounting for leases, fuel adjustment clauses, compensated absences, and other less important items were resolved by the standard. Also, the standard provides a framework for resolving new problems as they occur.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: The standard has been criticized on the grounds that the current regulatory environment does not provide the necessary assurance of realization of future revenues to justify the standards in Statement 71. Others have indicated that certain provisions of the standard may not be a valid reflection of the economics of rate regulation or in accordance with other generally accepted accounting principles.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: Various questions remain about applying the provisions of this Statement to the abandonment of plant construction, the disallowance of some costs of newly constructed plants, and phasing-in of rate increases necessary to recover a company's increased costs, usually related to the initial operation of a newly constructed plant. Those issues are currently being addressed by the FASB.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 72

TITLE: Accounting for Certain Acquisitions of Banking or Thrift Institutions

KEY DATES:		
	Added to Board agenda	August 1982
	Exposure for public comment	October 1982
	Public Hearing held	December 1982
	Final Statement issued	February 1983

ISSUE(S) ADDRESSED: Acquisitions of banking and thrift institutions sometimes involve the acquisition by one institution of the assets and liabilities of another without the payment of cash. In many of those acquisitions, the purchase method of accounting results in a significant intangible asset (goodwill) as a result of the difference between the current market value of the interest-bearing assets acquired and the current market value of the liabilities assumed. The key accounting issue is the period of time over which the goodwill should be written off (amortized) against income.

SUMMARY OF STANDARD: The standard specifies that, under the purchase method of accounting, to the extent that the fair value of liabilities assumed exceeds the fair value of identifiable assets acquired in the acquisition of a banking or thrift institution, the unidentified intangible asset (goodwill) recognized generally shall be amortized to expense by the interest method over a period no longer than that over which the discount on the long-term interest-bearing assets acquired is to be recognized as income.

REASONS FOR ADOPTION: APB Opinion 17 allows goodwill to be amortized over a period not to exceed 40 years. The difference (discount) between the face values and the market values of interest-bearing assets acquired, however, is recognized as interest over the estimated life of the assets. Many of the acquiring institutions were amortizing goodwill over 40 years and the asset discounts over much shorter periods, producing significant increases in reported post-acquisition income without a significant change in the operations of the institutions.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: Statement 72 eliminates the reporting of substantial increases in post-acquisition earnings that are not justified by changes in the economic condition of the combined institutions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some believe that the purchase method of accounting may be inappropriate for most combinations of mutual banking and thrift institutions, which generally do not involve the transfer of cash, other assets, or equity interests to the previous owners of the acquired institution. Others believe that the standard is a step to supplant judgment in financial reporting with arbitrary rules. Still others believe that the intent of the Statement can be circumvented by selling off acquired loans that would have resulted in losses if the acquisition adjustments had not been made.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 73

TITLE: Reporting a Change in Accounting for Railroad Track Structures

KEY DATES:		
	Added to Board agenda	March 1983
	Exposure for public comment	April 1983
	Final Statement issued	August 1983

ISSUE(S) ADDRESSED: In early 1983, the ICC ruled that railroads must commence using depreciation accounting applicable to regular commercial companies for railroad tracks structures in reports to the Commission. Prior to that time, the ICC had required a system known as "Retirement-Replacement-Betterment" (RRB) accounting. Generally, RRB was also used for financial reporting. RRB comprehended the capitalization of the initial costs of track installation <u>without annual depreciation charges</u> until the track was retired. Costs of replacing tracks were expensed unless the replacement constituted a betterment, i.e., an improved structure. If a betterment occurred, the cost of the replacement in excess of the current cost of the structure replaced was capitalized and not depreciated. Following the ICC change, it became apparent that many railroads also would adopt depreciation in lieu of RRB accounting for external financial reporting.

SUMMARY OF STANDARD: The change in method from RRB accounting to depreciation accounting should be recorded as if the depreciation accounting had always been used. In such instances, financial statements of the current and all preceding years presented in published reports (typically two years' balance sheets and three years' income statements) must be restated to reflect the newly adopted method.

REASONS FOR ADOPTION: Under previous rules, the change from RRB accounting to depreciation accounting would have been recorded in the year of change only, and the cumulative effect of the changes on previous years would have been lumped together as a special, separate charge to current income. Prior years' financial statements presented with the current years' statements would have been unchanged. The Board concluded that this change should be added as one of the limited exceptions for which restatement is provided in APB Opinion 20 to provide comparability among years because of the significance of the change.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: Comparability of financial statements of prior periods was enhanced.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some respondents viewed the subject as too narrow for Board consideration and others stated that the Board should have reconsidered the entire standard on accounting changes rather than add one more exception to the existing standard.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 74

TITLE: Accounting for Special Termination Benefits Paid to Employees

KEY DATES:	Added to Board agenda	November 1982
	Exposure for public comment	December 1982
	Final Statement issued	August 1983

ISSUE(S) ADDRESSED: This Statement applies when an employer offers for a short period of time special termination benefits to its employees. Termination benefits are typically offered to encourage early retirement.

SUMMARY OF STANDARD: The Statement requires the employer to recognize special termination benefits as a liability and an expense when the employees accept the offer and the amount can be reasonably estimated.

REASONS FOR ADOPTION: Interpretations of previously existing accounting rules varied resulting in diverse treatment for special termination benefits. Some employers recognized the total cost of the benefits immediately in income; other employers recognized a portion of the total cost in each of an arbitrarily determined number of future years. Because of the significance of termination offers and the differences of opinion on the proper accounting, the Board concluded that it should provide guidance for special termination benefits.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates alternatives thereby enhancing comparability.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some said that making employee acceptance a condition precedent to recognizing a liability prevented earlier recognition of a liability and resulted in postponing recognition of a loss that was known to have occurred.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: Statement 74 is being reconsidered in the Board's project on terminations and curtailments of pension plans.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 75

TITLE: Deferral of the Effective Date of Certain Accounting Requirements for Pension Plans of State and Local Governmental Units

KEY DATES:		
	Added to Board Agenda	January 1982
	Exposure for public comment	June 1983
	Final Statement issued	November 1983

ISSUE(S) ADDRESSED: This Statement addresses defined benefit pension plans that are sponsored by state and local governments.

SUMMARY OF STANDARD: The standard defers the effective date of Statement 35 indefinitely pending further action by the Governmental Accounting Standards Board for defined benefit pension plans that are sponsored by state and local governments.

REASONS FOR ADOPTION: The standard extended indefinitely the deferral of applicability of Statement 35 provided for in Statement 59.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: Not applicable.

REMAINING ALTERNATIVES, IF ANY: This Statement was adopted to permit alternatives to continue until the Governmental Accounting Standards Board can complete its work on the issue.

CRITICISMS OF THE STANDARD: None.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: Pension plans of state and local governmental units may currently provide information on any of several different basis. These problems are currently being addressed in the Governmental Accounting Standards Board's pension project.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 76

TITLE: Extinguishment of Debt

KEY DATES:		
	Added to Board agenda	August 1982
	First exposure for public comment	October 1982
	Second exposure for public comment	July 1983
	Final Statement issued	November 1983

ISSUE(S) ADDRESSED: The Statement addresses the conditions under which debt should be considered extinguished (paid off).

SUMMARY OF STANDARD: The standard specifies that debt is to be considered extinguished if the debtor is relieved of primary liability for the debt and it is probable that the debtor will not be required to make future payments as guarantor of the debt. The standard also specifies circumstances in which, even though the creditor does not relieve the debtor of its primary obligation, debt is to be considered extinguished. This would include situations where risk-free monetary assets are placed in an irrevocable trust to satisfy the debt and the possibility that the debtor will be required to make payments is remote.

REASONS FOR ADOPTION: The AICPA issued a Statement of Position in 1978 specifying criteria for an "in-substance defeasance" of tax-exempt debt. The FASB was subsequently asked whether the criteria for "in-substance defeasance" of tax-exempt debt could be used in determining whether debt other than tax-exempt debt had been extinguished.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates alternatives, enhances comparability, and provides accounting guidance for complex transactions.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: The standard has raised questions about other similar transactions, as noted below. The standard has also been criticized for extending extinguishment of debt accounting and resultant gain or loss recognition to situations where the debtor is not legally released from being the primary obligor under the debt obligation.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: Questions arose about the applicability of this Statement to a new type of transaction referred to as "instantaneous defeasance." In October 1984 a Technical Bulletin was issued to clarify that Statement 76 does not apply to such transactions. Also, the application of the standard to certain other types of transactions that are similar to extinguishments (or "derecognition") of debt has raised questions. These questions are being addressed by the Board through its Emerging Issues Task Force and through the issuance of a Technical Bulletin on a new type of financial instrument: "Collateralized Mortgage Obligations."

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 77

TITLE: Reporting by Transferors for Transfers of Receivables with Recourse

KEY DATES:	Added to Board agenda	January 1981
	First exposure for public comment	November 1981
	Second exposure for public comment	August 1982
	Final Statement issued	December 1983

ISSUE(S) ADDRESSED: A company may transfer some of its receivables, typically to a financial institution or factor, to raise money. In some of those agreements the company effectively guarantees that the receivables are collectible (called a transfer "with recourse"). The key accounting issue is whether to treat such a transfer as a sale or as a borrowing.

SUMMARY OF STANDARD: The standard specifies that a transferor ordinarily should report a transfer of receivables with recourse as a sale if (a) the transferor surrenders its control of the future economic benefits relating to the receivables, (b) the transferor can reasonably estimate its obligation under the recourse provisions, and (c) the transferee cannot return the receivable to the transferor except pursuant to the recourse provisions. If those conditions do not exist, the amount of proceeds from the transfer should be reported as a liability.

REASONS FOR ADOPTION: The AICPA issued a Statement of Position in 1974 and an Issues Paper in 1980 addressing separate aspects of such transactions. Some companies were treating transfers of receivables as sales and recognizing any gains or losses at the time of transfer. Other companies were treating transfers of receivables with recourse as borrowings and deferring gains or losses and recognizing them in a systematic manner over the term of the transferred receivables.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard clarifies the conditions necessary for a transfer of receivables to be accounted for as a sale rather than as a borrowing and thereby ensures that similar transactions will be accounted for similarly.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: The standard has raised questions about other analogous transactions, as noted below. The standard has also been criticized because some believe that the transfer of receivables with recourse, hypothecated receivables, and a loan collateralized by receivables are different forms of financing transactions having substantially similar substance, but this Statement acknowledges that they are accounted for differently.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: Application of the provisions of Statement 77 to certain types of transactions that are similar to transfers of receivables is being addressed by the Board through its Emerging Issues Task Force and the issuance of a Technical Bulletin, "Collateralized Mortgage Obligations."

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 78

TITLE: Classification of Obligations That Are Callable by the Creditor

KEY DATES:		
	Added to Board agenda	April 1982
	Exposure for public comment	July 1982
	Final Statement issued	December 1983

ISSUE(S) ADDRESSED: Some obligations, by their terms, are due on demand. Other obligations have scheduled future maturities but nevertheless are callable in certain circumstances. The key accounting issue in all of these instances is whether or not the obligation should be classified as a current liability on the balance sheet of the debtor.

SUMMARY OF STANDARD: The standard specifies the balance sheet classification of obligations that, by their terms, are or will be due on demand within one year from the balance sheet date. It also specifies the classification of long-term obligations that are or will be callable by the creditor either because the debtor's violation of a provision of the debt agreement at the balance sheet date makes the obligation callable or because the violation, if not cured within the grace period, will make the obligation callable. Such callable obligations are to be classified as current liabilities unless certain conditions are met.

REASONS FOR ADOPTION: Accounting Research Bulletin 43 requires obligations whose liquidation is "reasonably expected to require use of existing resources" to be classified as current liabilities. Statement 78 requires that as a general principle, classification of debt in a debtor's balance sheet should be based on facts existing at the balance sheet date rather than on expectations.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard enhances comparability by providing comparable classification of obligations on the balance sheet.

REMAINING ALTERNATIVES, IF ANY: The appropriate application of the above criteria should result in similar conditions being reported similarly and eliminates alternative treatments for the same underlying circumstances.

CRITICISMS OF THE STANDARD: This standard was criticized as being a step to supplant judgment in financial reporting with arbitrary rules.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 79

TITLE: Elimination of Certain Disclosures for Business Combinations by Nonpublic Enterprises

KEY DATES:	Added to Board agenda	May 1983
	Exposure for public comment	October 1983
	Final Statement issued	February 1984

ISSUE(S) ADDRESSED: When a business combination is accounted for as a purchase, the acquiring company must disclose certain operating results on a "pro forma" basis, as though the businesses had been combined for the past two years.

SUMMARY OF STANDARD: The standard eliminates the requirement for nonpublic companies to disclose pro forma results of operations for business combinations accounted for by the purchase method.

REASONS FOR ADOPTION: This Statement resulted from FASB research on financial reporting by private and small public companies. The research revealed certain accounting and disclosure requirements that many people believe should not apply to nonpublic companies, including the pro forma disclosures prescribed by APB Opinion 16. The Board concluded that the costs of providing the pro forma disclosures generally exceed the benefits for the users of nonpublic company financial statements.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eases the financial reporting burden on small nonpublic companies in a situation in which the informational benefits to a relatively small number of interested parties who tend to be close to the company do not justify the cost of having the information provided and audited.

REMAINING ALTERNATIVES, IF ANY: Although this Statement has no effect on reporting by public companies, it permits nonpublic companies to omit a specific disclosure, at their option.

CRITICISMS OF THE STANDARD: This standard creates a difference between the reporting by nonpublic companies as compared to the reporting by public companies. Some believe there should be few or no such differences.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 80

TITLE: Accounting for Futures Contracts

KEY DATES:	Added to Board agenda	November 1981
	Exposure for public comment	July 1983
	Final Statement issued	August 1984

ISSUE(S) ADDRESSED: Futures contracts are a specific type of financial instrument. They are publicly traded on a number of futures exchanges in the United States.

SUMMARY OF STANDARD: The standard requires that a futures contract be accounted for at its market value, unless the futures contract qualifies as a hedge of a company's exposure to price or interest rate risk. If the hedge criteria in the standard are met, a change in the market value of the futures contract is not recognized immediately but is recognized as an adjustment of the hedged item. The standard specifies how to account for and report futures hedging activity.

REASONS FOR ADOPTION: The Board undertook this project because of the unique characteristics of futures contracts, explosive growth in the futures markets, and a perception that diverse accounting practices were developing.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates alternative methods that were previously used to classify futures contracts as hedges and to account for the results. It also specifies a single method of accounting (market value) for any futures contract that does not qualify as a hedge. Thus, the standard enhances comparability and provides accounting guidance for a complex type of financial instrument.

REMAINING ALTERNATIVES, IF ANY: One of the requirements to account for a futures contract as a hedge is that management designate the contract as a hedge of a specific item. Therefore, if management does not choose to designate some or all contracts that would otherwise qualify as hedges, the Statement requires that they be accounted for at market value.

CRITICISMS OF THE STANDARD: The standard has been criticized by some because it allows some companies that conduct their risk management activities on a decentralized basis to follow hedge accounting for a particular business unit without demonstrating that risk to the company as a whole has been reduced. Others believe that the requirements to account for a futures contract as a hedge are too stringent and discourage bona fide hedging strategies that reduce risk.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: As more and more companies have used futures contracts and more accountants have become familiar with them, many detailed questions have arisen. The FASB has embarked on an active program to address them, which has included dissemination of detailed questions and answers and the sponsoring of a public meeting with futures experts on March 7, 1985.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 81

TITLE: Disclosure of Postretirement Health Care and Life Insurance Benefits

KEY DATES:		
	Added to Board agenda	November 1974
	Project separated from pensions project	February 1984
	Exposure for public comment	July 1984
	Final Statement issued	November 1984

ISSUE(S) ADDRESSED: Many employers provide health care benefits and life insurance to employees after such employees have completed their service to the company. In general, employers account for such benefits on a pay-as-you-go basis rather than accrue for and fund the obligation.

SUMMARY OF STANDARD: The standard requires the following disclosures about an employer's accounting for postretirement health care and life insurance benefits: (a) a description of benefits provided and the employee groups covered, (b) a description of the employer's current accounting and funding policies for those benefits, and (c) the cost of those benefits recognized for the period.

REASONS FOR ADOPTION: In February 1984, the Board separated this project from the existing pension project to address the accounting for post-employment benefits. The Board has decided that certain disclosures should be required as an interim measure, pending completion of the project.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard provides information to financial statement users about the magnitude of the costs of currently providing postretirement health care and life insurance benefits.

REMAINING ALTERNATIVES, IF ANY: The standard only addresses disclosure of the costs of these benefits. Companies may measure these costs in different ways. The Board is currently addressing measurement issues.

CRITICISMS OF THE STANDARD: The standard has been criticized for not providing all the information necessary for a complete understanding of the financial effects of an employer's postretirement health care and life insurance benefit plans. Others believe that the standard requires excessive disclosure.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: The accounting for the cost of postemployment benefits other than pensions earned during a period is currently being addressed by the Board.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 82

TITLE: Financial Reporting and Changing Prices: Elimination of Certain Disclosures

KEY DATES:		
	Added to Board agenda	See Statement 33
	Invitation to Comment	December 1983
	Exposure for public comment	October 1984
	Final Statement issued	November 1984

ISSUE(S) ADDRESSED: Statement 33 required the reporting of information concerning property, plant, and equipment, inventory, and certain other financial statement amounts that reflect general and specific price changes as a supplement to the primary financial statements of large publicly held companies. Following a review of the effectiveness of Statement 33, the Board reconsidered the need for the disclosures and this Statement provides the Board's initial conclusions.

SUMMARY OF STANDARD: The standard eliminates the requirement for supplementary disclosure of historical cost/constant dollar information for those companies that present current cost/constant purchasing power information.

REASONS FOR ADOPTION: The Board decided to eliminate the historical cost/constant dollar disclosure requirements of Statement 33 because of evidence that reporting effects of changing prices using two different methods may detract from the usefulness of the information and that the historical cost/constant dollar information is less useful than the current cost/constant purchasing power information.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard eliminates the requirement to disclose certain information found to be not widely used by financial statement users.

REMAINING ALTERNATIVES, IF ANY: The measurement of current cost amounts can still be done in a variety of ways.

CRITICISMS OF THE STANDARD: Many contend that the supplementary disclosure requirements of Statement 33 should be completely eliminated and, therefore, that Statement 82 did not go far enough by eliminating only the supplementary disclosure of certain historical cost/constant dollar information.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: The usefulness of the current cost/constant purchasing power disclosures continues to be challenged particularly by financial statement preparers. The Board is continuing to study the appropriateness of the remaining disclosures. An Exposure Draft was issued in December 1984.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 83

TITLE: Designation of AICPA Guides and Statement of Position on Accounting by Brokers and Dealers in Securities, by Employee Benefit Plans, and by Banks as Preferable for Purposes of Applying APB Opinion 20

KEY DATES:		
	Added to Board agenda	November 1984
	Exposure for public comment	December 1984
	Final Statement issued	March 1985

ISSUE(S) ADDRESSED: In Statement 32 the Board identified a list of AICPA Statements of Position and Accounting Guides that are preferable for purposes of justifying a change in accounting principles. Statement 83 updates that list.

SUMMARY OF STANDARD: The standard updates Statement 32 to specify two AICPA Guides and one Statement of Pc:ition that are now to be considered preferable accounting principles for purposes of justifying a change in accounting.

REASONS FOR ADOPTION: After the Board agreed to exercise responsibility for specialized principles and practices, there was uncertainty in practice about the ongoing status of the specialized accounting and reporting principles and practices contained in the AICPA Statements of Position and Industry Guides on accounting and auditing matters. The Board addressed that concern in Statement 32. This Statement updates Statement 32 for AICPA pronouncements that were issued after Statement 32.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: See summary of Statement 32.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: See summary of Statement 32.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 84

TITLE: Induced Conversions of Convertible Debt

KEY DATES:	Added to Board agenda	September 1984
	Exposure for public comment	December 1984
	Final Statement issued	March 1985

ISSUE(S) ADDRESSED: This Statement addresses the accounting for a convertible debt "sweetener." In a "sweetened" conversion, the provisions of a convertible debt instrument are changed in order to influence debt holders to convert their holdings promptly into common stock or other equity securities.

SUMMARY OF STANDARD: The standard requires recognition of an expense equal to the fair value of the "sweetener" paid.

REASONS FOR ADOPTION: Under previously existing accounting rules relating to extinguishments (retirements) of debt, payment of a "sweetener" often required recognition of very large expenses that did not properly reflect the substance of the transaction. This Statement amended the old rules to specifically address a transaction not contemplated at the time they were adopted.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: The standard reacts to changes in the business environment by amending old literature that does not faithfully portray the substance of a specific transaction.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: Some stated that no expense should be recognized on induced conversions, since they viewed the transaction as a capital transaction. Others agreed with the provisions of the Statement in most cases, but would not have applied its provisions when they increase, rather than reduce, the expense otherwise recognizable under rules relating to extinguishments of debt.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: At some future date, additional guidance may be needed on the general topic of conversions of debt.

STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 85

TITLE: Yield Test for Determining whether a Convertible Security Is a Common Stock Equivalent

KEY DATES:		
	Added to Board agenda	September 1984
	Exposure for public comment	December 1984
	Final Statement issued	March 1985

ISSUE(S) ADDRESSED: In response to corporate and investment demand, the concept of zero coupon convertible securities was developed. These securities are issued at a discount and mature to their face value, are convertible into common stock, and do not pay periodic interest.

SUMMARY OF STANDARD: The standard changes the method of considering zero coupon convertibles in the earnings per share calculation. It amends APB Opinion 15 to replace the "cash yield test" with an "effective yield test" for determining whether convertible securities are common stock equivalents in the primary earnings per share computation.

REASONS FOR ADOPTION: Under the old rules, zero coupon convertibles (and most low-rate convertibles) were considered to be common stock equivalents because those rules ignored any premium or discount upon issuance of the securities. With the growing popularity of "zeros," this aspect of the rules became an impediment to the issuance of otherwise-viable financial instruments.

HOW THE STANDARD IMPROVES PREVIOUS PRACTICE: This standard updates an old standard to reflect the issuance of a newly developed financial instrument.

REMAINING ALTERNATIVES, IF ANY: None.

CRITICISMS OF THE STANDARD: The standard has been criticized on the grounds that assessing the probability of dilution of a convertible security is a complex problem in financial analysis and that any simple test will fail to identify common stock equivalents.

ACCOUNTING OR IMPLEMENTATION PROBLEMS THAT REMAIN: None.