

**MEMO# 1216**

June 13, 1989

## **FORMATION OF ACCOUNTING POLICY SUB-COMMITTEE**

June 13, 1989 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 23-89 INDEPENDENT ACCOUNTANTS ADVISORY GROUP RE: FORMATION OF ACCOUNTING POLICY SUB-COMMITTEE \_\_\_\_\_

As you know, at the last meeting of the full committee I circulated a sheet asking for volunteers for a new sub-committee whose function would be to analyze new security types (and any other issues affecting accounting policy) on a timely basis and make recommendations to the full committee as to the correct or most appropriate method of accounting for them.

Accounting recommendations will encompass, where appropriate, book accounting, income recognition, pricing and SEC yield calculation. The purpose of this new sub-committee is to help the industry establish uniform accounting practices, and to do so on a timely basis as new issues arise. Although we can't necessarily establish GAAP accounting on our own, by having the Independent Accountants Advisory Group review and hopefully "bless" the recommendations of the sub-committee, after they are approved by the full committee, we can, in fact, help to establish GAAP accounting for most issues. In order to keep the sub-committee small enough to be functional, it will be restricted to a total of 11 members at any one time - 8 from fund complexes and 3 from CPA firms. However, so that everyone who wants to become involved gets a chance to do so, people will be rotated off the sub-committee periodically, as follows: the 3 representatives from CPA firms will be replaced every 12 months; 4 of the initial 8 representatives from fund complexes will be replaced after 12 months; thereafter, all fund complex representatives will serve for 24 months from the time they first joined the sub-committee. This will produce a staggering of the fund complex representatives and will therefore result in a degree of continuity from year to year. Since there were 13 volunteers from fund complexes and 8 from the CPA firms, I put all names from each group in bowls and drew them out randomly to select the initial members of the sub-committee. I did, however, reserve one position for myself as initial chairman to help get the group up and going. I will rotate off the sub-committee after two years, and thereafter the group will select its own chairperson each year. -2- The initial sub-committee members are: Fund Complex Representatives Firm Term Rich Silver, Chairman Colonial 2 years Sue Cote Prudential 2 years Jerry Duffy Kemper 2 years Ed Stevens USAA 2 years Susan Hughes Janus Capital 1 year Steve Kearsley Capital Research 1 year Vin Nave The Boston Co. 1 year Dave Taylor Federated 1 year CPA Firm Representatives Frank Giannetta Touche Ross 1 year Dick Meyerowich Deloitte Haskins & Sells 1 year Jim Patranzino Ernst & Whinney 1 year At the June 20 meeting of the full committee and advisory group, we will determine the initial agenda for the sub-committee and set a date for its first meeting. Richard A. Silver Chairman

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