

**MEMO# 11891**

May 18, 2000

## **DRAFT PAPER ON MANDATORY PREMIUM AMORTIZATION**

[11891] May 18, 2000 TO: ACCOUNTING/TREASURERS COMMITTEE No. 21-00 TAX COMMITTEE No. 22-00 RE: DRAFT PAPER ON MANDATORY PREMIUM AMORTIZATION

\_\_\_\_\_. Attached is a draft copy of a paper prepared by the Accounting Policy Subcommittee addressing accounting and financial reporting issues associated with mandatory amortization of premium and discount on fixed-income securities. As you know, the revised AICPA Investment Company Audit Guide requires amortization of premium and discount on fixed-income securities for financial accounting purposes. The revised Audit Guide was approved by the AICPA's Accounting Standards Executive Committee during September of last year and is scheduled to be cleared by the FASB during the second quarter of this year. Subject to FASB clearance, the Audit Guide will be effective for fiscal years beginning after December 15, 2000. The paper is intended to assist those fund firms that do not currently amortize premium and discount on fixed-income securities implement the change in accounting policy. Among other things, the draft paper addresses financial statement disclosures, tax considerations, implementation strategies and the cumulative "catch up" adjustment. If you have any comments on the draft paper, please forward them to the undersigned (fax: 202/326-8314, e-mail: smith@ici.org) by June 16. The Accounting Policy Subcommittee will address comments received on the draft paper. Absent substantive comments or concerns, the paper will be issued in final form during the third quarter of this year. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment

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