

MEMO# 1105

April 14, 1989

SEC PROPOSAL TO CONFORM CERTAIN RULES AND FORMS TO RECENTLY ADOPTED FASB STANDARDS

April 14, 1989 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 17-89 CLOSED-END FUND COMMITTEE NO. 10-89 SEC RULES COMMITTEE NO. 21-89 UNIT INVESTMENT TRUST COMMITTEE NO. 17-89 RE: SEC PROPOSAL TO CONFORM CERTAIN RULES AND FORMS TO RECENTLY ADOPTED FASB STANDARDS

Attached are proposed SEC rule and form amendments to conform such rules and forms to a number of accounting and reporting standards recently adopted by the Financial Accounting Standards Board (FASB). Of interest to Institute members is a proposed amendment to Rule 3-18 of Regulation S-X to require an audited statement of cash flows for the most recent fiscal year, "if necessary to comply with generally accepted accounting principles," as established in FASB Statement No. 95, Statement of Cash Flows. As you know, however, most investment companies were exempted from the requirement to present a statement of cash flows with the issuance of FASB Statement No. 102 (See Accounting/Treasurers Members No. 1-89, SEC Rules Members No. 12-89, Unit Investment Trust Members No. 15-89 and Closed-End Fund Members No. 11-89, dated February 17, 1989.) You will note that Article 6 of Regulation S-X is not being amended to supplement GAAP with any particular form and content requirements for statements of cash flows. Certain other amendments are proposed to conform SEC requirements to FASB Statement No. 94, which discontinued the non-homogeneity exception to consolidation of majority owned subsidiaries. However, because the FASB had informally advised the SEC prior to the issuance of these proposed amendments that Statement No. 94 was not intended to apply to investment companies, none of the proposed amendments related to Statement No. 94 affect investment companies. Consequently, Rule 6-03(c) of Regulation S-X, which contains a prohibition against consolidation by investment companies of non-investment company subsidiaries, has been left intact. If you have any comments on the proposed amendments, please convey them to me by Tuesday, April 25, 1989. We will keep you advised of developments.

Donald J. Boteler Director of Operations/ Fund Accounting Attachments