

MEMO# 7871

May 16, 1996

AICPA INVESTMENT COMPANIES COMMITTEE LETTER TO SEC RECOMMENDING REVISIONS TO FINANCIAL REPORTING REQUIREMENTS

May 16, 1996 TO: ACCOUNTING/TREASURERS COMMITTEE No. 20-96 SEC RULES
COMMITTEE No. 44-96 RE: AICPA INVESTMENT COMPANIES COMMITTEE LETTER TO SEC
RECOMMENDING REVISIONS TO FINANCIAL REPORTING REQUIREMENTS

Attached for your information is a copy of a letter sent to the Chief Accountant of the SECs Division of Investment Management by the AICPA Investment Companies Committee ("AICPA-ICC"). The letter indicates that the AICPA-ICC is updating the Audit and Accounting Guide - Audits of Investment Companies and that certain of the changes that the AICPA intends to propose would require concurrent changes to SEC financial reporting requirements. In addition, the letter recommends elimination of certain SEC financial reporting requirements that are not required under GAAP. Among other things the recommendations would 1) permit integration of the statement of operations and the statement of changes into a single combined statement, 2) require reporting total retained earnings under net assets in the balance sheet and total distributions to shareholders in the statement of changes, 3) revise the level of detail required in the schedule of investments (e.g., only disclose individual investments greater than 1% of net assets, with a minimum of 50 securities), 4) require a statement of changes in net assets for only the most recent fiscal year rather than the two most recent years, and 5) eliminate the disclosure requirements regarding restricted securities and instead require disclosure of the total value of securities valued "in good faith" by the board of directors. The Institute understands that SEC is currently drafting rule changes that would implement certain of the AICPA-ICC recommendations. Any proposed changes to the SECs financial reporting requirements must first be issued for public comment and be approved by the Commission. Any modifications to the Audit and Accounting Guide would be subject to the due process procedures applicable to all new GAAP pronouncements, including clearance through the AICPA Accounting Standards Executive Committee and the Financial Accounting Standards Board. The Institute will distribute the SEC rule proposal and the AICPA-ICC exposure draft when they are issued for public comment. If you have any questions on the attached letter, please contact the undersigned or members of the AICPA-ICC. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment

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