

MEMO# 5684

March 22, 1994

ACCOUNTING POLICY SUBCOMMITTEE PAPERS ON DOLLAR ROLLS AND PIK BONDS

March 22, 1994 TO: TAX COMMITTEE NO. 12-94 RE: ACCOUNTING POLICY SUBCOMMITTEE
PAPERS ON DOLLAR ROLLS AND PIK BONDS

As you may know, the Institute's Accounting/Treasurers Committee created an Accounting Policy Subcommittee ("APS") to develop guidance on accounting issues for which generally accepted accounting principles ("GAAP") have not yet been developed and/or settled. Recently, the APS drafted the attached papers on mortgage dollar rolls and payment-in-kind ("PIK") bonds. While these papers focus primarily on methods to account for these securities, each paper also discusses tax issues. The APS has requested that the Tax Committee review each of these papers to ensure that the tax discussions are accurate. The discussion of the tax issues for mortgage dollar rolls is on pages 9 and 10. The tax discussion contained on page 5 of the PIK bond paper reflects the proposed OID regulations issued in 1992 and will need updating to reflect the final OID regulations. (See Institute Memorandum to Accounting/Treasurers Members No. 5-94 and Tax Members No. 6-94, dated February 2, 1994.) Please call me at (202) 326-5832 by April 15 with your comments. Alternatively, you may fax them to me at (202) 326-5841. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachments