

MEMO# 5086

August 20, 1993

DRAFT STATEMENT OF POSITION - ACCOUNTING FOR CERTAIN DISTRIBUTION COSTS FOR INVESTMENT COMPANIES

August 20, 1993 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 26-93 RE: DRAFT STATEMENT OF POSITION - ACCOUNTING FOR CERTAIN DISTRIBUTION COSTS FOR INVESTMENT COMPANIES _____

The Investment Companies Committee of the AICPA has completed preliminary work on a draft statement of position (SOP), Accounting for Certain Distribution Costs for Investment Companies. The draft SOP would require that liabilities for unreimbursed distribution costs should be recognized on termination of enhanced 12b-1 plans, with a corresponding charge to expense. The SOP would also require mutual funds to disclose in their financial statements: (1) the principal terms of both traditional and enhanced 12b-1 plans; (2) the aggregate amount of unreimbursed distribution costs subject to recovery through future payments by the fund; and (3) estimated future payments by shareholders through contingent deferred sales loads. AcSEC will consider whether to approve the draft SOP for exposure at its meeting on September 1. The FASB is scheduled to determine whether or not it objects to exposure of the draft SOP during the fourth quarter of this year and the 60-day exposure period is expected to occur during the first quarter of 1994. We will keep you informed of further developments. Gregory M. Smith Director - Operations/Compliance Attachment