

MEMO# 6739

March 9, 1995

SFAS 119 - DISCLOSURE ABOUT DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS; ACCOUNTING FOR FOREIGN CURRENCY EXCHANGE CONTRACTS

1 For entities with less than \$150 million in total assets, SFAS 119 is effective for fiscal years ending after December 15, 1995. March 9, 1995 TO: ACCOUNTING/TREASURERS COMMITTEE No. 15-95 RE: SFAS 119 - DISCLOSURE ABOUT DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS; ACCOUNTING FOR FOREIGN CURRENCY EXCHANGE CONTRACTS

As you know, SFAS 119 is effective for financial statements issued for fiscal years ending after December 15, 1994.¹ In order to facilitate compliance with SFAS 119, the Accounting Policy Subcommittee (APS) plans to compile sample financial statements that contain SFAS 119 disclosures for distribution to the Accounting/Treasurers Committee. Also, the APS has developed a draft white paper on Foreign Currency Exchange Contracts. The white paper will address accounting, tax, operational and other issues associated with foreign currency exchange contracts. In drafting the white paper, the APS has noted that there is divergence in industry practice in the presentation of positions in foreign currency exchange contracts in fund financial statements. The APS would like to review sample financial statements of funds that hold foreign currency exchange contracts to determine the range of alternative accounting policies. Please forward fund financial statements that 1) include SFAS 119 disclosures, or 2) portray your accounting policy for presentation of foreign currency exchange contracts to: Gregory M. Smith Investment Company Institute 1401 H Street, NW Washington, DC 20005-2148 Please send your fund financial statements to the Institute prior to March 31. If you have any questions please call Greg Smith at 202/326-5851. Teresa Westbrook Chair - Accounting Policy Subcommittee