

MEMO# 14548

March 18, 2002

AICPA ISSUES TECHNICAL PRACTICE AID FOR SEPARATE ACCOUNTS

[14548] March 18, 2002 TO: ACCOUNTING/TREASURERS COMMITTEE No. 10-02 RE: AICPA ISSUES TECHNICAL PRACTICE AID FOR SEPARATE ACCOUNTS The AICPA recently issued a series of questions and answers intended to assist separate accounts underlying variable annuity contracts prepare the financial highlights table. The series of questions and answers, commonly referred to as Technical Practice Aids, provides guidance on application of paragraphs 7.64-7.67 of the AICPA Audit and Accounting Guide, Audits of Investment Companies to separate accounts underlying variable annuity contracts. The TPA indicates that the accounting principles and auditing procedures discussed in the Audit Guide apply to all investment companies and that separate accounts should provide the financial highlights information in their financial statements. The TPA indicates that separate accounts often have multiple accumulation unit values that arise from having different product designs and fee structures on the variable contracts. For example, it is not uncommon for separate accounts to have multiple sub-accounts (i.e. portfolios), different products (i.e., variable annuities, variable life insurance) and multiple combinations of elective contract benefits. For such accounts, the volume of financial highlights information would be overwhelming if each contract variation were treated as a separate class. The TPA indicates that differences in expense levels that result from customers' selection of a specific product within an array of products or elections of optional riders are not considered to result in separate classes of units for purposes of preparing the financial highlights. The TPA also provides guidance on calculation of per share or per unit data, and reporting units issued and redeemed during the period. The guidance is currently available on the AICPA's web site¹ and will be included in the next edition of the AICPA's Technical Practice Aids publication. Gregory M. Smith Director - Operations/Compliance & Fund Accounting 1 See http://www.aicpa.org/members/div/acctstd/general/separate_accts.htm.

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