

**MEMO# 4045**

August 24, 1992

# **ICI COMMENTS ON AICPA PROPOSED STATEMENT OF POSITION ("SOP"), FOREIGN CURRENCY ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION FOR INVESTMENT COMPANIES**

August 24, 1992 TO: ACCOUNTING/TREASURERS COMMITTEE NO. 37-92 INDEPENDENT ACCOUNTANTS ADV. GROUP NO. 1-92 RE: ICI COMMENTS ON AICPA PROPOSED STATEMENT OF POSITION ("SOP"), FOREIGN CURRENCY ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION FOR INVESTMENT COMPANIES

The ICI comment letter on the AICPA's foreign currency accounting SOP is attached. The Institute does not support adoption of the SOP. In its letter, the Institute stated its belief that the costs associated with implementation of the SOP would outweigh any associated benefits to financial statement users. The AICPA Audit and Accounting Guide Audits of Investment Companies currently provides that foreign currency transaction gains and losses may be accounted for separately or may be combined for reporting purposes with the type of transaction that gave rise to the gain or loss. The SOP would require international, global and single-foreign-country funds to compute and separately report realized and unrealized foreign currency gains and losses. In its letter, the Institute stated its belief that the costs associated with the SOP in the form of accounting system enhancements, ongoing compliance costs, and increased audit fees would outweigh any benefits associated with the required additional information. The letter points out that separately computing and reporting foreign currency gains and losses may place undue emphasis on a single risk associated with investments in securities denominated in a foreign currency. Moreover, the information may be misleading in that it may imply that foreign currency risk is the only risk or the most important risk associated with investment in foreign securities. The Institute's letter also noted that the SOP would create an additional book/tax difference and may be detrimental to recent efforts to facilitate cross-border sales of mutual fund shares. The Institute recommended that members of the AICPA Investment Companies Committee work with selected members of the Accounting/Treasurer's Committee to develop alternative, less burdensome means of providing additional information on the effect of foreign currency gains and losses. - 2 - We will keep you informed of further developments. Gregory M. Smith Director-Operations/Compliance Attachment

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