

SEC Regulations Committee Highlights

Joint Meeting with SEC Staff - June 27, 2000

Location: SEC Headquarters – Washington, D.C.

NOTICE: The AICPA SEC Regulations Committee meets periodically with the staff of the SEC to discuss emerging technical accounting and reporting issues relating to SEC rules and regulations. The purpose of the following highlights is to summarize the issues discussed at the meetings. These highlights have not been considered and acted on by senior technical committees of the AICPA, or by the Financial Accounting Standards Board, and do not represent an official position of either organization.

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I. **ATTENDANCE**

A. **SEC Regulations Committee**

Amy Ripepi, Chairman
Ernie Baugh
David Einhorn
Joseph Graziano
John Guinan
Wendy Hambleton
Jay Hartig
Chris Holmes
Stewart Sandman
Roy Van Brunt
John Wolfson
Mary Jane Young

B. **Securities and Exchange Commission**

Office of the Chief Accountant

John Morrissey, Deputy Chief Accountant
Jack Albert, Associate Chief Accountant
Scott Blackley, Professional Accounting Fellow
Bob Burns, Chief Counsel
Pascal Desroches, Professional Accounting Fellow
Eric Jacobsen, Professional Accounting Fellow
Mike Kigin, Associate Chief Accountant
David Kane, Professional Accounting Fellow
Jenifer Minke-Girard, Assistant Chief Accountant

Michael Pierce, Professional Accounting Fellow
Richard Rodgers, Professional Accounting Fellow
Esmerelda Rodriguez, Assistant Chief Accountant
Scott Taub, Professional Accounting Fellow
Dominick Ragone, Professional Accounting Fellow

Division of Corporation Finance

Craig Olinger, Deputy Chief Accountant
Melanie Dolan, Associate Chief Accountant

Division of Enforcement

Charles Niemeier, Chief Accountant

C. **AICPA**

Annette Schumacher Barr

D. **Guests**

Scott Pohlman, McGladrey & Pullen

II. **PERSONNEL MATTERS**

John Morrissey noted that Jane Poulin and Sam Burke have joined the staff of the Office of the Chief Accountant as Associate and Assistant Chief Accountants, respectively. Scott Blackley, David Kane and Michael Pierce have joined the staff as Professional Accounting Fellows.

Craig Olinger noted that the Division of Corporation is looking for permanent staff as well as two-year fellows. Applications for the fellowship program will still be considered even though the formal deadline has passed.

III. **SAB 101B**

Richard Rodgers stated that SAB 101B was issued on June 26. The SAB defers the implementation date of SAB 101, *Revenue Recognition in Financial Statements*, until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. The purpose of the deferral is to provide registrants with sufficient time to assess and implement the guidance in SAB 101. In addition, the staff expects to continue to develop a "frequently asked questions" document to provide answers to a number of the implementation questions received to date.

The staff distributed a letter from Lynn Turner reminding registrants and their auditors of their responsibilities under the existing professional standards as they relate to the delayed implementation of SAB 101. The letter is attached to these highlights as [Appendix A](#).

Craig Olinger noted that the SEC staff's longstanding position has been that financial

statements in an initial public offering should be presented on an accounting basis that is consistent for all periods presented. With that in mind, the Division of Corporation Finance expects new registrants to apply SAB 101 consistently for all periods presented in an initial public offering. An exception would be considered by the staff in situations where retroactive presentation would cause extreme hardship. In such situations, the staff would expect extensive disclosures in order to assist investors in understanding the effects that SAB 101 would have had on historical results.

IV. DIVISION OF CORPORATION FINANCE (DCF) STAFF TRAINING MANUAL

Craig Olinger noted that a revised staff training manual ("Accounting Disclosures Rules and Practices") was issued in April. The manual is not available on the SEC website but copies can be obtained from the public reference room at the SEC. The revised manual utilizes a graphic and tabular format to enhance usability. Amy Ripepi noted that the Committee has identified a number of questions relating to the content of the manual and is forming a task force to discuss these questions with the staff. Mr. Olinger stated that the staff would welcome questions and comments on the manual. He added that the manual is now in a loose-leaf format in order to allow more frequent revisions and improvements.

V. "AIRCRAFT CARRIER" PROPOSAL

The Committee asked whether the staff plans on moving forward with the provision in the "aircraft carrier" proposal that recommended accelerating the due dates of Forms 10-K and 10-Q. Mr. Olinger replied that he was not aware of a near-term project to address that topic.

VI. GUARANTOR FINANCIAL STATEMENTS

Mr. Olinger stated that the staff expects to issue the final rules relating to guarantor financial statements soon.

VII. SELECTIVE DISCLOSURE PROPOSED RULEMAKING

The staff noted that it has received approximately 6,000 comment letters responding to the proposal on selective disclosures (the comment period ended on March 29). The staff is now in the process of reviewing the comment letters and finalizing the rule.

VIII. SUPPLEMENTAL FINANCIAL INFORMATION PROPOSED RULEMAKING

Jack Albert stated that the staff has received approximately 75 comment letters responding to the proposal on supplemental financial information (the comment period ended on April 17). The financial analysts that provided comments expressed unqualified support for the proposal while the preparer community and the AICPA expressed concern regarding the disclosure of sensitive items such as tax, environmental and litigation accruals. The staff is in the process of considering the comments and finalizing the rules. A final rule may be issued later this summer.

IX. CONCEPT RELEASE ON INTERNATIONAL STANDARDS

The comment period on this concept release ended on May 23. The staff has received approximately 80 comment letters responding to the release and is in the process of reviewing each letter. A new Professional Accounting Fellow assigned to international issues will join the staff this summer and will assist in this review.

X. REGULATION M-A

Craig Olinger stated that the implementation of Regulation M-A seems to be going well for both registrants and staff. Although there appears to be somewhat of a learning curve in becoming familiar with the new requirements, they are relatively easy to apply and will result in a greater degree of reporting consistency.

XI. ASR 268

The Committee indicated that there are a number of implementation questions relating to ASR 268 and that additional staff guidance would be helpful. Pascal Desroches asked the Committee to provide the staff with questions that contain detailed fact patterns so that the staff can evaluate those issues.

XII. SEC STAFF LETTER TO AUDIT FIRMS

Craig Olinger stated that the Division of Corporation Finance sent a letter to all non-SECPS member firms summarizing a number of accounting and auditing issues that should be considered prior to filing an audit report with the Commission. Amy Ripepi added that the AICPA distributed the same letter to all SECPS member firms and has posted a copy to its website. The letter is included as [Attachment B](#) to these highlights.

XIII. PRACTICE ALERT ON INTERIM REVIEWS

Amy Ripepi noted that the AICPA's SEC Practice Section plans to issue a Practice Alert to address the performance of SAS 71 reviews on interim financial information. The Alert will be issued in time to provide guidance to practitioners performing third quarter reviews.

XIV. DIVISION OF ENFORCEMENT UPDATE

Charles Niemeier, newly appointed Chief Accountant in the Division of Enforcement, described the financial fraud task force that was recently formed. He stated that the task force was formed to enhance existing enforcement practice in the financial fraud arena. The task force will utilize a "swat team" approach to handle cases in a fair and expeditious manner.

Mr. Niemeier acknowledged that the vast majority of audits are done well and that his division sees "the underbelly" of the audit practice. He views the SEC and the profession's relationship as a marriage; the two may not always get along but they have the same goals and must work together to achieve those goals.