

# Statement of Financial Accounting Standards No. 139

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Rescission of FASB Statement No. 53 and  
amendments to FASB Statements No. 63, 89,  
and 121

June 2000



Financial Accounting Standards Board  
of the Financial Accounting Foundation  
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**Rescission of FASB Statement No. 53 and amendments to  
FASB Statements No. 63, 89, and 121**

**June 2000**

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# FAS 139: Rescission of FASB Statement No. 53 and amendments to FASB Statements No. 63, 89, and 121

## FAS 139 Summary

This Statement rescinds FASB Statement No. 53, *Financial Reporting by Producers and Distributors of Motion Picture Films*. An entity that previously was subject to the requirements of Statement 53 shall follow the guidance in AICPA Statement of Position 00-2, *Accounting by Producers or Distributors of Films*. This Statement also amends FASB Statements No. 63, *Financial Reporting by Broadcasters*, No. 89, *Financial Reporting and Changing Prices*, and No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*.

This Statement is effective for financial statements for fiscal years beginning after December 15, 2000. Earlier application is permitted only upon early adoption of the Statement of Position.

## INTRODUCTION

1. FASB Statement No. 53, *Financial Reporting by Producers and Distributors of Motion Picture Films*, was issued in 1981. Statement 53 extracted specialized accounting and reporting principles and practices from the AICPA Industry Accounting Guide, *Accounting for Motion Picture Films*, and AICPA Statement of Position 79-4, *Accounting for Motion Picture Films*. It also established financial accounting and reporting standards for producers or distributors of motion picture films.

2. Since the issuance of Statement 53, extensive changes have occurred in the film industry. Through 1981, the majority of a film's revenue resulted from distribution to movie theaters and free television. Since that time, numerous additional forms of exploitation (such as home video, satellite and cable television, and pay-per-view television) have come into existence, and international revenue has increased in significance. Concurrent with those changes, significant variations in the application of Statement 53 arose.

3. In 1995, in response to concerns raised by constituents, the Board asked the Accounting Standards Executive Committee (AcSEC) of the AICPA to develop a Statement of Position

providing guidance on the accounting and reporting requirements for producers or distributors of motion picture films. In response to that request, AcSEC developed AICPA Statement of Position 00-2, *Accounting by Producers or Distributors of Films*. An entity that is a producer or distributor of films and that previously applied Statement 53 is now required to follow the guidance in SOP 00-2. This Statement and SOP 00-2 are effective for fiscal years beginning after December 15, 2000.

## STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

### Rescission of Statement 53

4. This Statement rescinds FASB Statement No. 53, *Financial Reporting by Producers and Distributors of Motion Picture Films*.

### Amendments to Existing Pronouncements

5. FASB Statement No. 63, *Financial Reporting by Broadcasters*, is amended as follows:

a. The following is inserted before the last sentence of paragraph 1:

In June 2000, AICPA Statement of Position 00-2, *Accounting by Producers or Distributors of Films*, was issued and is applicable to all producers or distributors that own or hold rights to distribute or exploit films.

b. The following paragraph is added after the caption *Standards of Financial Accounting and Reporting* and before the caption *License Agreements for Program Material*:

A broadcaster shall apply the guidance in SOP 00-2 if it owns the film (program material) that is shown on its cable, network, or local television outlets.

6. In paragraph 44 of FASB Statement No. 89, *Financial Reporting and Changing Prices*, the definition of *motion picture films* is replaced by the following:

All types of film, including feature films, television specials, television series, or similar products (including animated films and television programming) that are sold, licensed, or exhibited, whether produced on film, video tape, digital, or other video recording format.

7. FASB Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*, is amended as follows:

a. Paragraph 3(b) is replaced by *AICPA Statement of Position 00-2, Accounting by Producers or Distributors of Films*.

- b. In the table following paragraph 147, the reference to Statement 53 is deleted and the following is added to the table.

FASB Statement No. 139, *Rescission of FASB Statement 53 and amendments to FASB Statements No. 63, 89, and 121\**

\* In June 2000, AICPA Statement of Position 00-2, *Accounting by Producers or Distributors of Films*, was issued. Motion picture films are subject to the impairment guidance in paragraphs 43–47 of SOP 00-2.

## EFFECTIVE DATE AND TRANSITION

8. This Statement shall be effective for financial statements for fiscal years beginning after December 15, 2000. Earlier application is permitted only upon early adoption of SOP 00-2.

**The provisions of this Statement need  
not be applied to immaterial items.**

*This Statement was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:*

Edmund L. Jenkins, *Chairman*  
Anthony T. Cope  
John M. Foster  
Gaylen N. Larson  
James J. Leisenring  
Gerhard G. Mueller  
Edward W. Trott

## Appendix: BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

9. This appendix summarizes considerations that Board members deemed significant in reaching the conclusions in this Statement.

10. Statement 53 was issued in December 1981 as part of the process of extracting specialized accounting and reporting principles and practices from AICPA Statements of Position and Guides on accounting and auditing matters and issuing them in FASB Statements after appropriate due process. Statement 53 established the financial accounting and reporting standards for producers or distributors of motion picture films.

11. The Entertainment and Sports Industry Committee of the California Society of Certified Public Accountants (the Committee) submitted a letter dated September 15, 1994, to the FASB requesting that the Board reconsider certain provisions of Statement 53. The Committee's letter included a White Paper containing the recommendations of the Committee's FAS 53 Task Force to revise Statement 53. The Committee's request was endorsed by AcSEC in a letter dated September 27, 1994, to the FASB.

12. According to the September 15, 1994 letter, the Committee formed the FAS 53 Task Force because of concerns relating to the following issues:

- a. Statement 53 did not address the extensive changes that have occurred in the industry since its issuance. When Statement 53 was issued, most of a film's revenue came from distribution to U.S. movie theaters. At present, the industry has additional forms of distribution (videocassettes, satellite and cable television, CD-ROM, laser and digital video discs [DVD], and pay-per-view television, plus licensing revenues from products tied to the film) that did not exist or were not significant when Statement 53 was issued. The industry now also distributes to new emerging international markets (for example, eastern Europe and China).
- b. Application of Statement 53 varied significantly within the industry.
- c. The validity and accuracy of financial statements issued by companies in the motion picture industry were questioned after certain business failures.

13. In response to those concerns, the Board requested in July 1995 that AcSEC undertake a project to reconsider the accounting and financial reporting for the motion picture industry. The Board considered adding the project to its own agenda because certain Board members at that time believed that "maintenance" of an FASB Statement was the Board's responsibility. However, the Board ultimately decided that AcSEC was better suited to address the needs of that specific industry. The Board indicated that it would either amend or rescind Statement 53 depending on the outcome of AcSEC's project.

14. The Board concluded that it should rescind Statement 53 based on the results of the AcSEC project to develop guidance on the accounting and financial reporting requirements for producers or distributors of motion picture films. The Board believes that (a) there is a need for the guidance, (b) the guidance will improve practice, and (c) the benefits will exceed the cost of implementation.

### **Comments on Exposure Drafts**

15. The FASB Exposure Draft, *Rescission of FASB Statement No. 53*, and the Exposure Draft of the proposed AICPA Statement of Position, *Accounting by Producers and Distributors of Films*, were issued for comment on October 16, 1998. Twenty-eight organizations commented on those Exposure Drafts. The notice to respondents of the proposed SOP indicated that it was

only necessary to send one letter to the AICPA commenting on both of the Exposure Drafts. However, 10 of those 28 organizations sent separate letters to the FASB, and those additional letters were primarily from respondents that did not support the issuance of the proposed SOP. As a result, many of those letters did not support the Board's rescinding Statement 53. The basis for conclusions in SOP 00-2 discusses AcSEC's resolution of matters raised in the comment letters. The Board held two public meetings with representatives of AcSEC and reviewed the issues raised in the comment letters. The Board believes that AcSEC responded to those issues in an acceptable manner.

### **Amendment of Statement 63**

16. The Board decided to amend FASB Statement No. 63, *Financial Reporting by Broadcasters*, to clarify that the requirements of SOP 00-2 apply to a film owned by a broadcaster. Previously, Statement 63 only addressed licensing agreements.