

# Statement of Financial Accounting Standards No. 83

Note: This Statement has been completely superseded

[FAS83 Status Page](#)  
[FAS83 Summary](#)

Designation of AICPA Guides and Statement of  
Position on Accounting by Brokers and Dealers  
in Securities, by Employee Benefit Plans, and  
by Banks as Preferable for Purposes of  
Applying APB Opinion No. 20

(an amendment of FASB Statement No. 32 and  
APB Opinion No. 30 and a rescission of  
FASB Interpretation No. 10)

March 1985



Financial Accounting Standards Board  
of the Financial Accounting Foundation  
401 MERRITT 7, P.O. BOX 5116, NORWALK, CONNECTICUT 06856-5116

Copyright © 1985 by Financial Accounting Standards Board. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Financial Accounting Standards Board.

**Statement of Financial Accounting Standards No. 83**

**Designation of AICPA Guides and Statement of Position on Accounting by Brokers and Dealers in Securities, by Employee Benefit Plans, and by Banks as Preferable for Purposes of Applying APB Opinion 20**

**an amendment of FASB Statement No. 32 and APB Opinion No. 30 and a rescission of FASB Interpretation No. 10**

**March 1985**

**CONTENTS**

	Paragraph Numbers
Introduction and Background Information.....	1-3
Standards of Financial Accounting and Reporting:	
Preferable Accounting Principles for Applying	
APB Opinion 20.....	4
Amendment and Rescission of Other Pronouncements .....	5-8
Effective Date and Transition.....	9
Appendix A: Certain AICPA Guides and Statements of	
Position on Accounting and Auditing Matters	
that Contain Specialized Accounting and	
Reporting Principles and Practices.....	10
Appendix B: Background Information and Basis for Conclusions .....	11-15

## **FAS 83: Designation of AICPA Guides and Statement of Position on Accounting by Brokers and Dealers in Securities, by Employee Benefit Plans, and by Banks as Preferable for Purposes of Applying APB Opinion 20**

**an amendment of FASB Statement No. 32 and APB Opinion No. 30 and a rescission of FASB Interpretation No. 10**

### **FAS 83 Summary**

FASB Statement No. 32, *Specialized Accounting and Reporting Principles and Practices in AICPA Statements of Position and Guides on Accounting and Auditing Matters*, identifies the AICPA Statements of Position and Guides on accounting and auditing matters designated as containing preferable accounting principles for purposes of justifying a change in accounting in applying APB Opinion No. 20, *Accounting Changes*. This Statement specifies that the specialized accounting and reporting principles and practices contained in the revised AICPA Guides for banks, brokers and dealers in securities, and employee benefit plans and the AICPA Statement of Position on reporting of investment securities gains and losses by banks are preferable accounting principles for purposes of justifying a change in accounting principles under Opinion 20. In addition, this Statement rescinds FASB Interpretation No. 10, *Application of FASB Statement No. 12 to Personal Financial Statements*, and amends footnote 8 of APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, to eliminate reference to the superseded Guide for banks.

### **INTRODUCTION AND BACKGROUND INFORMATION**

1. Appendix A of FASB Statement No. 32, *Specialized Accounting and Reporting Principles and Practices in AICPA Statements of Position and Guides on Accounting and Auditing Matters*, identifies the AICPA Statements of Position (SOPs) and Guides on accounting and auditing matters that are preferable for purposes of justifying a change in accounting principles as

required by APB Opinion No. 20, *Accounting Changes*. Appendix B of Statement 32 identifies certain AICPA projects that were in process when that Statement was issued and that were expected to result in revisions to existing Guides. The remaining projects listed in Appendix B of Statement 32—Guide for banks, Guide for personal financial statements, and Guide for brokers and dealers in securities—have now been completed, and this Statement updates Statement 32 for those revised Guides as well as for projects completed by the AICPA that were not originally listed.

2. In 1982, the Accounting Standards Executive Committee (AcSEC) of the AICPA issued SOP 82-1, *Accounting and Financial Reporting for Personal Financial Statements*, which was included in the 1983 *Personal Financial Statements Guide*; they replace the Guide issued in 1968. The SOP calls for personal financial statements to be prepared on a value basis rather than on a cost basis with separate disclosure of value, as was specified in the 1968 Guide. As a result, the guidance in FASB Interpretation No. 10, *Application of FASB Statement No. 12 to Personal Financial Statements*, is no longer applicable, and the Board is rescinding that Interpretation. In addition, the Board is taking no position with regard to the accounting and reporting in personal financial statements.

3. The issuance of SOP 83-1, *Reporting by Banks of Investment Securities Gains or Losses*, eliminated the two-step income statement used by banks in reporting securities gains and losses. That change makes the exception granted to banks in footnote 8 to paragraph 26 of APB Opinion No. 30, *Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, unnecessary, and the Board is amending Opinion 30 accordingly.

## **STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING**

### **Preferable Accounting Principles for Applying APB Opinion 20**

4. The specialized <sup>1</sup> accounting and reporting principles and practices contained in the following AICPA SOPs and Guides on accounting and auditing matters are preferable accounting principles for applying Opinion 20 and are added to Appendix A of Statement 32:

#### **Statement of Position**

SOP 83-1 Reporting by Banks of Investment Securities Gains or Losses

#### **Industry Audit Guide**

Audits of Banks, 1983

## **Audit and Accounting Guides**

Audits of Brokers and Dealers in Securities, 1985  
Audits of Employee Benefit Plans, 1983

## **Amendment and Rescission of Other Pronouncements**

5. The following are deleted from Statement 32:

### **Appendix A, Industry Audit Guides**

Audits of Banks, Including Supplement, 1969  
Audits of Brokers and Dealers in Securities, 1973  
Audits of Employee Health and Welfare Benefit Funds, 1972  
Audits of Personal Financial Statements, 1968

### **Appendix B, Projects Expected to Result in Revisions to Guides**

Guide for Banks  
Guide for Personal Financial Statements  
Guide for Brokers and Dealers in Securities

6. The reference to the AICPA Industry Audit Guide, *Audits of Banks*, is deleted from footnote 8 of Opinion 30.
7. FASB Interpretation 10 is rescinded.
8. Appendix A of this Statement represents Appendix A of Statement 32 as amended to date. Appendix B of Statement 32 is deleted in its entirety.

## **Effective Date and Transition**

9. The provisions of this Statement shall be effective March 31, 1985. Earlier application in financial statements that have not previously been issued is encouraged. This Statement may be, but is not required to be, applied retroactively to financial statements issued after issuance of the pronouncements listed in paragraph 4.

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

Donald J. Kirk, *Chairman*  
Frank E. Block  
Victor H. Brown  
Raymond C. Lauver  
David Mosso  
Robert T. Sprouse  
Arthur R. Wyatt

## **Appendix A: CERTAIN AICPA GUIDES AND STATEMENTS OF POSITION ON ACCOUNTING AND AUDITING MATTERS THAT CONTAIN SPECIALIZED ACCOUNTING AND REPORTING PRINCIPLES AND PRACTICES**

10. This appendix represents Appendix A of Statement 32 as amended to date.

### **Industry Audit Guides**

Audits of Banks, 1983 (also refer to SOP 83-1)  
Audits of Colleges and Universities, 1973 (also refer to SOP 74-8)  
Audits of Finance Companies, 1973  
Audits of Government Contractors, 1975  
Audits of Investment Companies, 1973 (also refer to SOPs 74-11, 77-1, and 79-1)  
Audits of Voluntary Health and Welfare Organizations, 1974  
Hospital Audit Guide, 1972 (also refer to SOPs 78-1 and 78-7)

### **Audit and Accounting Guides**

Audits of Brokers and Dealers in Securities, 1985  
Audits of Employee Benefit Plans, 1983  
Construction Contractors, 1981  
Savings and Loan Associations, 1979

### **Statements of Position**

SOP 74-8      Financial Accounting and Reporting by Colleges and Universities  
SOP 74-11     Financial Accounting and Reporting by Face-Amount Certificate Companies  
SOP 75-2      Accounting Practices of Real Estate Investment Trusts  
SOP 76-3      Accounting Practices for Certain Employee Stock Ownership Plans

SOP 77-1	Financial Accounting and Reporting by Investment Companies
SOP 78-1	Accounting by Hospitals for Certain Marketable Equity Securities
SOP 78-2	Accounting Practices of Real Estate Investment Trusts
SOP 78-7	Financial Accounting and Reporting by Hospitals Operated by a Governmental Unit
SOP 78-9	Accounting for Investments in Real Estate Ventures
SOP 78-10	Accounting Principles and Reporting Practices for Certain Nonprofit Organizations
SOP 79-1	Accounting for Municipal Bond Funds
SOP 81-1	Accounting for Performance of Construction-Type and Certain Production-Type Contracts
SOP 81-2	Reporting Practices Concerning Hospital-Related Organizations
SOP 83-1	Reporting by Banks of Investment Securities Gains or Losses

## **Appendix B: BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS**

11. An Exposure Draft of a proposed Statement, *Designation of AICPA Guides and Statement of Position on Accounting by Brokers and Dealers in Securities, by Employee Benefit Plans, and by Banks as Preferable for Purposes of Applying APB Opinion 20*, was issued for comment on December 6, 1984. The Board received 24 comment letters in response to the Exposure Draft. This appendix discusses the significant comments received during the exposure period and the factors deemed significant by the Board in reaching the conclusions in this Statement. The Board concluded that it could reach an informed decision on the basis of existing information without a public hearing and that the effective date and transition specified in paragraph 9 are advisable in the circumstances.

12. Some respondents suggested that the Board should not endorse the specialized accounting and reporting principles and practices in Guides and SOPs because those pronouncements are not subject to the Board's full due process procedures. The purpose of Statement 32 and this amendment to that Statement is to clarify the status of the specialized accounting and reporting principles and practices included in them, not to imply that they are the equivalent of FASB Statements. As noted in paragraph 6 of Statement 32, "...the Board [is] acknowledging that those specialized principles and practices [are] encompassed in the conventions, rules, and procedures referred to as generally accepted accounting principles."

13. Several respondents to the Exposure Draft suggested that footnote 1 of Statement 32 should be repeated in this Statement since it clarifies the nature of the specialized accounting and reporting principles and practices that are the subject of the Board's pronouncement. They suggested that this Statement will be viewed as a stand-alone document and the meaning of the term *specialized* specified in Statement 32 will be overlooked. Since the definition of the term



*specialized* is important to an understanding of this Statement, the Board included footnote 1 of Statement 32 herein.

14. Some respondents questioned the Board's decision not to include the Guides for airlines and casinos and the revised Guide and SOP for personal financial statements in this amendment of Statement 32. The Guides for airlines and casinos were not included because they are primarily descriptive and were not intended to include specialized accounting and reporting guidance. The revised Guide and SOP on personal financial statements were not included because the Board currently has no plans to include financial reporting for personal financial statements within the scope of its activities and therefore chose to take no position regarding those AICPA pronouncements.

15. This Statement includes a change in Opinion 30 that was not mentioned in the December 1984 Exposure Draft to eliminate the reference in footnote 8 of that Opinion to the 1969 bank Guide, which required banks to use a two-step income statement format. Although the 1983 bank Guide also required a two-step income statement, SOP 83-1 amended the 1983 Guide to require a single-step income statement format. The Board did not object to issuance of SOP 83-1 and is deleting the reference in Opinion 30 to the bank Guide to recognize that the exception in that Opinion for the bank Guide is no longer needed.

## Footnotes

FAS83, Footnote 1--The term *specialized* is used to refer to those current accounting and reporting principles and practices in the existing AICPA Guides and SOPs that are neither superseded by nor contained in the ARBs, APB Opinions, FASB Statements, and FASB Interpretations.