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LAW AND ACCOUNTING

CASES AND MATERIALS

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PREFACE

Accounting is a tool that provides conceptual organization to economic exchange. The tool facilitates analyzing legal, business and public policy aspects of the transactions that accounting addresses. Materials in this book illuminate why transactions are pursued and related decisions made, economic aspects of transactions, and the conceptual underpinnings of the activities of measuring, classifying and reporting on them. *Law and Accounting* thus emphasizes the intersection of the two subjects. It is neither accounting for lawyers nor law for accountants. It is both. It is not accounting *qua* accounting being presented, but a conception of law and accounting bearing an authentic interdisciplinary sense.

Law and Accounting is also an appreciation of how accounting problems morph easily into what are essentially legal issues. As examples, an accounting principle must be (a) referenced to establish or interpret certain contractual or property rights, (b) complied with to discharge various disclosure obligations imposed by federal securities law, or (c) understood to determine the legality of some decisions governed by state corporation law. When departures from applicable accounting standards are inadvertent, negligence liability can result; when departures are intentional, potential fraud liability, both civil and criminal, arises; and when departures violate contractual provisions, strict liability looms. Remedies range from regulatory censure and consent decrees to money damages and prison terms.

Accounting materials govern transactions engaged in by individuals, business enterprises, governmental entities, and not-for-profit organizations. They raise issues in every field of human endeavor, including all aspects of law. For example, materials in this book raise issues considered in nearly every law school class, including Contracts, Property, and Torts; Commercial, Intellectual Property, Insurance, and Environmental Law; as well as Corporations, Partnerships, and Securities Regulation. Several Chapters in this book address subjects to which entire law school courses are devoted: Mergers & Acquisitions (Chapter 9), Corporate Finance (Chapter 10), Labor (Chapter 13), and Tax (Chapter 15). Business school courses on Accounting (including Auditing) also engage related legal contexts presented in this book.

In addressing the world's transactions, accounting is ambitious. It simultaneously responds to and shapes developments of an endlessly-dynamic world bursting with exchange. Not only does accounting measure and influence the mix of debt and equity capital used in businesses, for example, it also measures and influences the scope and form of employee compensation, benefits and pensions. Accounting plays a role in determining the types of business combinations that enterprises form as well as in generating new financial products, financing devices, and exchange transactions.

Materials in this book reflect accounting's dynamism. Most materials presented were published since 1990. They respond to forces such as globalization, the rising significance of intellectual property, technological transformation, financial innovation and numerous political-economic cross-currents. On the other hand, *plus ça change, plus ça la même chose*: the materials all build on concepts first formalized 500 years ago (and these,

in turn, were built on truly ancient practices).¹ To single out one general example, today's world increases pressure to generate an internationally recognized system of accounting rather than defer to country-specific standards. This harkens back to the earliest days of international trading when similar efforts originated to facilitate cross-border exchange.

As a business lawyer in the late 1980s and early 1990s, I encountered many of the transactions considered in this book, including developing some discussed in Chapters 7 and 11 (on Asset Securitizations and Derivatives, respectively), and worked directly on those covered by topics in Chapters 9, 10, 12, 17, and 18 (on Deals, Debt, Leases, Contractual Provisions, and Disclosure, respectively). My legal work then, and in subsequent consulting assignments, involved topics addressed in nearly every Chapter. As a legal scholar, I have written about most of the subjects and find them to be fascinating. As a law professor and academic dean, I notice how these subjects cross-fertilize with topics throughout the law school curriculum. Based on this variety of experience, I know that readers will be (nearly) as handsomely rewarded by studying these materials as I have been by organizing them.

Accounting materials essentially are original pronouncements of officially-designated or recognized standard-setting bodies. These are the functional analogue of legislative enactments and should be approached as statutes. Managers are responsible for applying these principles and auditors are charged with promoting compliance. Disagreements concerning application are thus resolved, in the first instance, between managers and auditors. For public companies, moreover, further disputes concerning compliance may be resolved by interaction with the United States Securities and Exchange Commission (SEC), the chief legal authority in the United States with jurisdiction over accounting matters. Most disagreements with the SEC are resolved informally between parties and the SEC's accounting staff but when this avenue fails to resolve them, SEC enforcement actions can result. External users of financial statements may also challenge compliance in private litigation, resulting in traditional judicial opinions.

The purpose of all materials in this book—including original standards, SEC enforcement actions and judicial opinions—is to illustrate accounting principles, departure from which can constitute violations of law or breaches of contract. Materials are edited to focus on underlying transactions and related accounting. Thus portions of SEC materials describing sanctions for violations usually are omitted. Materials are presented principally for pedagogical purposes. As a result, citations and headings often are deleted without indication (though paragraph numbers to authoritative accounting pronouncements are retained because they are used as critical reference points both in the materials included and in accounting literature generally). Despite these pedagogically-driven editing decisions, the book should provide a reliable reference for researchers and practitioners alike.

Illustrating some of the foregoing themes, early Chapters treat the reader to an appreciation of accounting as law by tracing the accounting standards-setting process in the

¹ See also Ecclesiastes 1:9-10 (“The thing that hath been, it is that which shall be; and that which is done is that which shall be done: and there is no new thing under the sun. Is there any thing whereof it may be said, See, this is new? It hath been already of old time, which was before us.”).

United States, to which Congress, the SEC and private accountants and other professionals (including lawyers) contribute. A sense of both dynamism and stability emerges when the reader is shown how accounting is akin to traffic laws and cartography (ancient concepts) as well as to pharmaceutical drug trials and scholastic aptitude tests (modern concepts). Even a sense of romance appears when encountering reflections on a Franciscan friar of 15th century Venice who codified the double-entry bookkeeping still in use today, as captured here using the records of a merchant-mariner of that era.

The theme of accounting responding to contemporary national crises emerges early in this book's materials as well, with Congress enacting the Foreign Corrupt Practices Act in 1977 to stem widespread bribery that was concealed within accounting records. Accounting had to deal with the hyperinflation of the 1970s and address that era's energy shortage. Society confronted legal-accounting challenges in dealing with: the sovereign Third-World debt crisis during the early 1980s; proliferation of debt financing of the latter 1980s; innovation in financial instruments of the early 1990s; and waves of mergers, asset transfers and corporate restructurings throughout these periods. Increasing consciousness of environmental degradation raised legal-accounting challenges in the last two decades. The expanding role of private enterprise in funding the needs of the work force has posed significant issues of law, accounting and public policy, particularly as to accounting for retiree benefits and the implications of this accounting for the level of benefits provided.

Readers also encounter legal-accounting problems arising against the backdrop of global events. Examples include the case of a dispute between a military contractor (*Litton*) and the U.S. Navy over shipbuilding contracts during the waning days of the Vietnam conflict and the case of an aeronautical design firm's difficulties, as the Cold War drew to a close, in shifting from making aircraft for the U.S. Army designed to resemble Soviet aircraft to making models for the Taiwanese government based on a U.S. design. Readers confront a forest-products concern valuing new property in the Brazilian rain forest, apparently bought from a land swindler, as well as new property bought in Nicaragua that was soon expropriated by that country's government. Upheaval in Brazil amid its hyperinflation of the 1980s posed legal-accounting issues for a leading maker of earthmoving, construction, and materials handling equipment (*Caterpillar*) when newly-elected President Fernando Collor de Mello instituted sweeping economic and monetary reforms. Loans to sovereign countries in the Third World posed enormous legal-accounting consequences for a large financial services firm (*First Chicago*).

A smaller firm faced legal-accounting issues as it tried to exploit globalization's promise by increasingly selling its aerospace and automotive software in the Far East. Computer challenges associated with the Y-2K problem presented significant legal-accounting issues to one of the country's most venerable consumer products concerns (*Avon Products*). Systemic consequences can be significant, creating national news. Examples include the speculator fraud and bankruptcy of *Towers Financial* in the early 1990s and the even more spectacular fraud and bankruptcy of *Enron Corp.* in the early 2000s.

Legal-accounting issues arise from financial and regulatory change. The telecommunications boom of the latter 1990s presented considerable legal-accounting problems to the entire sector, when numerous participants used a variety of leases and other

instruments to swap network capacity or sell excess network capacity to others (*McLeod USA Inc.*). Financial engineering—and the limitations of related accounting and law—figured prominently in cases involving interest-rate risk management at one of the world’s leading greeting card companies (*Gibson Greetings*); management of palladium supplies necessitated by federal environmental laws at a leading automobile manufacturer (*Ford Motor Co.*); and management of energy prices amid California’s early 2000s energy crisis by an electric and gas utility company (*Reliant Resources*).

Circumstances within organizations may produce legal-accounting challenges. Incentive compensation arrangements for senior managers can create pressure to adopt favorable accounting policies when choices are possible and can also lead to fraudulent behavior. Bank loan agreements invariably contain covenants requiring borrowers to maintain financial characteristics measured using accounting concepts, such as minimum earnings or maximum debt. Pressure can be strong to make accounting decisions to avoid triggering defaults under such agreements. Preventing such pressure from producing misconduct often requires an organization to maintain an adequate system of internal control, posing matters of both law and accounting.

Materials exhibit how legal-accounting problems are addressed by such widely-recognized enterprises as among the world’s leading: software producers (*Microsoft*); copier makers (*Xerox*); toy manufacturers (*Mattel*); consumer products purveyors (*Sunbeam*); garbage collectors (*Waste Management*); Internet service providers (*America On-Line*); semi-conductor chip makers (*Cirrus Logic*); and telecommunications concerns (*WorldCom*). Such problems equally face a broad range of smaller enterprises, including makers of surgical products, computer graphics, semi-conductor testing equipment, document finishing systems and bar-code scanners; as well as biotechnology concerns, home-builders, foreign car replacement parts businesses, sweater makers, golf apparel enterprises, ice cream sellers, brokerage firms, rare coin dealers, rental centers and car dealers.

Lawyers are usually in the middle of these stories, whether concerning negotiating or disputing customer contracts, business purchase agreements or loan agreements, or assisting clients in providing disclosure. A leading example from the 1970s concerned a major law firm (*White & Case*) as an accomplice to one of the most notorious legal-accounting scandals ever (*National Student Marketing*); it faced public humiliation for its role when consenting to a decree addressing its compliance with professional standards of legal ethics. Accountants are always in the middle of these dramas, whether as accounting managers preparing financial statements or auditors examining them. This involvement adds considerable social value by facilitating capital formation and economic exchange; it can subtract value by conduct ranging from ordinary carelessness provoking regulatory reprimand to colossal criminal frauds provoking public condemnation.

Human dramas underlay many of the forensic accounting stories appearing in this book, epitomized by the late president of a brokerage firm whose suicide note confessed to 24 years of fraudulent securities sales. (*Ernst & Ernst v. Hochfelder.*) Another such drama concludes the book: the case of the ex-husband who ran away with his bookkeeper. When he moved to terminate his maintenance obligations to his former wife, however, neither he

nor his lawyer had sufficient accounting data (or knowledge) to persuade the court to grant the motion. (*General v. General.*)

Many financial frauds (notice the implicit overlap of accounting and law in that phrase) may be traced to fraudsters exploiting cracks between the accountancy and legal professions. A dramatized example occurs when the fraudster falsely tells his lawyer that his accountant approved an approach to a transaction, while simultaneously lying to his accountant that his lawyer also signed off. If neither does so, but each is convinced of the reliability of the other's reported judgment, the fraudster can evade deterrence and detection that these professionals otherwise provide. Students of law and accounting help seal such cracks, understanding its interdisciplinary character, ambitions and quest to conceptualize economic activity.

ACKNOWLEDGEMENTS

Thanks to the following people who researched, reviewed, edited, or commented upon parts of the manuscript:

my students at Boston College Law School, especially Sara Horvath, as well as Alexander Marten, David Mason and Steven Sexton;

colleagues at law schools around the United States, especially Steven Bradford (University of Nebraska), as well as William Bratton (Georgetown University), Laura Ford (University of Washington), Joseph Franco (Suffolk University), Howell Jackson (Harvard University), Calvin Johnson (University of Texas), Joel Seligman (Washington University in St. Louis) and Elliott Weiss (University of Arizona); and

other generous contributors, including, from Ernst & Young, Thomas Riesenber, and freelance editor, Ira Breskin.

Thanks also to the publishing team at West Group, including Staci Herr, Michael Powell, and Pam Siege.

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ACRONYMS AND ABBREVIATIONS

As with other technical disciplines, accounting is replete with acronyms to designate various bodies, pronouncements and other references. Following is a partial list, capturing designations frequently appearing in this book.

AAER	Accounting and Auditing Enforcement Release (of the SEC)
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board (which issued Opinions)
ARB	Accounting Research Bulletin (issued by CAP)
ASR	Accounting Series Release (of the SEC)
CAP	Committee on Accounting Procedure (which issued ARBs)
EITF	Emerging Issues Task Force (of FASB)
FASB	Financial Accounting Standards Board (current accounting standard-setter)
GAAP	Generally Accepted Accounting Principles
GAAS	Generally Accepted Auditing Standards
MD&A	Management's Discussion and Analysis (in SEC filings)
PCAOB	Public Company Accounting Oversight Board
SAB	Staff Accounting Bulletin (of the SEC Staff)
SAS	Statement on Auditing Standards (of the AICPA)
SEC	United States Securities and Exchange Commission
SFAC	Statement of Financial Accounting Concepts (of FASB)
SFAS	Statement of Financial Accounting Standards (of FASB)
SOP	Statement of Position (on Accounting, of AICPA)

The foregoing are standard abbreviations for items designated and are used in this book's headings and editor's materials. Other shorthand designations are sometimes used for these items, including in materials reproduced in this book. A frequent example concerns Statements of Financial Accounting Standards, designated above as SFAS, which are sometimes variously designated as: FAS, FASB Statement, or simply Statement. As common, Statements of Financial Accounting Concepts, designated above as SFAC, are sometimes variously designated as FASB Concepts Statement, Concepts Statement, or CON. The SEC is often referred to as the Commission, particularly in legislative and administrative materials. Original materials reproduced in this book that use these alternatives are not generally changed for conformity, unless the context would otherwise obscure the intended reference.

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B. Cost Method and Fair Value
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2. Gains Trading
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3. Applications
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Delaney, *et al.*, *Wiley GAAP* (2004)

B. Joint Ventures

- Reither & Lott (*ABO Reporter*)
SEC Staff Speeches (2001)

C. Asset Sales and Spin-Offs

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Sean Flanagan (*Harvard Negotiation Law Review*)

B. Designation

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 - Fadem v. Ford Motor Co.* (2005)

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 - SEC v. KPMG LLP* (SEC 2003) (Xerox)
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- C. Real Estate
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- D. Sale-Leasebacks
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- E. Leveraged Leasing
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 - Delaney et al., Wiley GAAP (2004)*

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Manzon & Plesko (*Tax Law Review*)
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- Delaware General Corporation Law §§151, 157, 160
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- C. Control Cases
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- D. Government Auditing Standards
 - U.S. Comptroller General (*Yellowbook*)
 - SOP 92-1
 - OMB Circular A-133
- E. U.S. Government
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- F. Individuals
 - Anthony Mancuso (*CPA Journal*)
 - General v. General* (1987)

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1	Objectives of Financial Reporting by Business Enterprises	Nov. 1978	Emphasizing usefulness	2
2	Qualitative Characteristics of Accounting Information	May 1980	Emphasizing decision-making, relevance and reliability	2
5	Recognition and Measurement in Financial Statements of Business Enterprises	Dec. 1984	Balance Sheet, Income Statement, Cash Flow Statement, Changes in Owners' Equity	2
6	Elements of Financial Statements	Dec. 1985	Replaced SFAC No. 3; emphasizes assets = liabilities + owners' equity; accrual accounting	2
7	Using Cash Flow Information and Present Value in Accounting Measurements	Feb. 2000	Role of finance models in accounting	2; 3

Accounting Research Bulletins (ARBs) (of Committee on Accounting Procedure, 1938-59)

43	Restatement and Revision of Previous Bulletins	June 1953	Inventory (herein)	6
45	Long-Term Construction Type Contracts	Oct. 1955	Percentage-of-completion and completed contract methods	4
51	Consolidated Financial Statements	Aug. 1959	Procedure, minority interests, dividends received	9

APB Opinions (of Accounting Principle Board, 1962-73)

14	Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants	March 1969	Inseparability of debt and conversion option	10 D
18	The Equity Method of Accounting for Investments in Common Stock	March 1971	Circumstances, calculation and presentation	8
20	Accounting Changes	July 1971	Disclose and explain justifications for changing accounting principles	2
21	Interest on Receivables and Payables	Aug. 1971	Valuation of notes exchanged for cash, property or services and selection of present value discount rates and related disclosure of discounts and premiums from a note's face value	10
22	Disclosure of Significant Accounting Policies	Aug. 1972	Establishes form of modern notes to financial statements	3
23	Accounting for Income Taxes—Special Areas	Apr. 1972		n/a
25	Accounting for Stock Issued to Employees	Oct. 1972	Intrinsic value method: difference between [shares x fmv] and [shares x employee price per share]	13
26	Early Extinguishment of Debt	Oct. 1972	Gains or loss recognized in current period	10
28	Interim Financial Reporting	May 1973		n/a
29	Accounting for Non-Monetary Transactions	May 1973		8*
30	Reporting the Results of Operations	June	Extraordinary items	n/a

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Statements of Financial Accounting Standards (SFAS) (of FASB)

2	Accounting for Research and Development Costs	Oct. 1974	Expensed, not capitalized	4
5	Accounting for Contingencies	March 1975	Recognize when probable to occur and estimable in amount	3; 14 D
6	Classification of Short-Term Obligations Expected to Be Refinanced	March 1975	Amending ARB No. 43, Ch. 3A	10 D
13	Accounting for Leases	Nov. 1976	Operating v. capital for lessee and further between sales type, direct financing and leveraged lease for lessor	12
15	Accounting by Debtors and Creditors for Troubled Debt Restructurings	June 1977	When gains or losses are recognized	10
34	Capitalization of Interest Cost	Oct. 1979	Assets acquired, built or changed can include interest in their cost	4 D
43	Accounting for Compensated Absences	Nov. 1980	Creates liability accrued for future absences	13
45	Accounting for Franchise Fee Revenue	March 1981	Recognition principles	4
47	Disclosure of Long-Term Obligations	March 1981	Including unconditional purchase obligations	10 D
48	Revenue Recognition When Right of Return Exists	June 1981	Imposes conditions	4
49	Accounting for Product Financing Arrangements	June 1981	Treat as borrowing, not sale	6
50	Financial Reporting in the Record and Music Industry	Nov. 1981	Revenue recognition for licensing fees, minimum license guarantees, artist compensation	21
51	Financial Reporting by Cable Television Companies	Nov. 1981	Revenue recognition during construction, pre-maturity and operation phases	21
52	Foreign Currency Translation	Dec. 1982	Adjustments and transactions	3
57	Related-Party Disclosures	March 1982	Enlarging scope of disclosure to encompass additional parties	18
61	Accounting for Title Plant	June 1982	Costs to build title plant capitalized until activated	21
63	Financial Reporting by Broadcasters	June 1982	Revenue recognition as to exhibition rights, licenses, barter exchanges and network affiliation agreements	21
66	Accounting for Sales of Real Estate	Oct. 1982	Distinguishes land sales; full accrual and cost recovery methods	4; 12
71	Accounting for the Effects of Certain Types of Regulation	Dec. 1982	Public utilities when allowed to set prices to recover cost of capital and services	21
73	Reporting a Change in Accounting for Railroad Track Structures	Aug. 1983	Requires depreciation accounting, amending APB Op. No. 20	21
78	Classification of Obligations That Are Callable by the Creditor	Dec. 1983	Classify as current, amending ARB No. 43, Ch. 3A	10
84	Induced Conversions of Convertible Debt	March 1985	Recognize expense as fair value of extra consideration given to creditors to induce conversion from debt to	10 D

			equity, amending APB Op. No. 26	
87	Employers' Accounting for Pensions	Dec. 1985	Establishing required accrual accounting	13
89	Financial Reporting and Changing Prices	Dec. 1986	Repeals experimental current cost/constant purchasing power standards, making all voluntary	5 D
91	Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases	Dec. 1986	Special technical rules for buying receivables, amending SFAS Nos. 13, 60, and 65 and rescinding No. 17	7
94	Consolidation of All Majority-owned Subsidiaries	Oct. 1987	Majority-owned subsidiaries consolidated with parent unless no or only temporary control, amending ARB No. 51; APB Op. No. 18; ARB No. 43, Ch. 12	8
95	Statement of Cash Flows	Nov. 1987	Requires statement; classifies cash flows as operating, investing or financing	2
98	Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate, Sales-Type Leases of Real Estate, Definition of the Lease Term, and Initial Direct Costs of Direct Financing Leases	May 1988	Amending SFAS Nos. 13, 16 and 91	12
106	Employers' Accounting for Post-Retirement Benefits Other Than Pensions	Dec. 1990	Requires accrual accounting measured by expected cost of future benefits during employee employment	13
109	Accounting for Income Taxes	Feb. 1992	Uses asset and liability approach	15
112	Employers' Accounting for Post-Employment Benefits	Nov. 1992	Requires recognizing liability when probable and estimable, amending SFAS Nos. 5 and 43	13
114	Accounting by Creditors for Impairment of a Loan	May 1993	Requiring discounting impaired loans to present value, amending SFAS Nos. 5 and 15	7
115	Accounting for Certain Investments in Debt and Equity Securities	May 1993	Held-to-maturity debt carried at amortized cost; trading securities (debt and equity) at fair value with unrealized gains/losses in current earnings; all other debt and equity at fair value with unrealized gains/losses in shareholders' equity	8 D
117	Financial Statements of Not-for-Profit Organizations	June 1993	Specialized standards	21
123	Accounting for Stock-Based Compensation—Revised	Oct. 1995	Revised 2004: requires recognizing share compensation as cost	13
128	Earnings Per Share	Feb. 1997	Computation and reporting of basic and diluted earnings per share in complex capital structures	16
129	Disclosure of Information about Capital Structure	Feb. 1997	Requiring summary explanation of rights of securities outstanding	16
130	Reporting Comprehensive Income	June 1997	Utilizing traditional accounting concept for addressing novel developments	16 D
131	Disclosures about Segments of an Enterprise and Related Information	June 1997	Prescribes using management perspective	8

132	Employers' Disclosures about Pensions and Other Postretirement Benefits	Feb. 1998	Revised 2003: Changes in benefit obligations, fair value of plan assets, amending SFAS Nos. 87, 88 and 106	13
133	Accounting for Derivative Instruments and Hedging Activities	June 1998	Treat as assets or liabilities at fair value with unrealized gains or losses tied to hedged item	11
140	Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities	Sept. 2000	Retains most concepts from SFAS No. 125 it replaces while revising rules for securitizations	7
141	Business Combinations	June 2001	Purchase method, creation of goodwill	9
142	Goodwill and Other Intangible Assets	June 2001	Goodwill not amortized	5
143	Accounting for Asset Retirement Obligations	June 2001	Dealing with business restructurings and "big bath" accounting	5
144	Accounting for the Impairment or Disposal of Long-Lived Assets	Aug. 2001	Same	5
146	Accounting for Costs Associated with Exit or Disposal Activities	June 2002	Same	9
149	Amendment of Statement 133 on Derivative Instruments and Hedging Activities	Apr. 2003	Refinements to SFAS No. 133	11
150	Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity	May 2003	Especially of hybrid instruments, including equity subject to mandatory redemption	10
151	Inventory Costs	Dec. 2004	Minor adjustments to harmonize with international accounting standards	6
152	Accounting for Real Estate Time Sharing Transactions	Dec. 2004	Specialized rules	n/a
153	Exchanges of Nonmonetary Assets	Dec. 2004	Minor adjustments to harmonize with international accounting standards	n/a

Interpretations (of FASB)

4	Applicability of FASB Statement 2 to Purchase Business Combinations	Feb. 1975	Interprets SFAS No. 2 for treating R&D acquired in mergers	9*
8	Classification of Short-Term Obligation Repaid Prior to Being Replaced by a Long-Term Security	Jan. 1976	Interprets SFAS No. 6 to treat short-term debt as current if repayment precedes long-term debt refinancing it	n/a
14	Reasonable Estimation of the Amount of a Loss	Sept. 1976	Interprets SFAS No. 5 to require range of estimates	7
18	Accounting for Income Taxes in Interim Periods	March 1977	Interprets APB Op. No. 28	n/a
19	Lessee Guarantee of the Residual Value of Leased Property	Oct. 1977	Interprets SFAS No. 13	n/a
21	Accounting for Leases in a Business Combination	Apr. 1978	Interprets SFAS No. 13 to provide that mergers do not affect classification of acquired leases	n/a
23	Leases of Certain Property Owned by a Governmental Unit or Authority	Aug. 1978	Interprets SFAS No. 13 to narrow class of leases from governments deemed operating leases	12
24	Leases Involving Only Part of a Building	Sept. 1978	Interprets SFAS No. 13 to allow using evidence to estimate fair values absent actual comparable sales data	n/a
26	Accounting for Purchase of a Leased	Sept.	Interprets SFAS No. 13	n/a

	Asset by the Lessee During the Term of the Lease	1978		
27	Accounting for Loss on a Sublease	Nov. 1978	Interprets SFAS No. 13 & APB Op. No. 30	n/a
28	Accounting for Stock Appreciation and Other Variable Stock Option or Award Plans	Dec. 1978	Interprets APB Op. No. 25	n/a
35	Criteria for Applying the Equity Method of Accounting for Investments in Common Stock	May 1981	Interprets APB Op. No. 18	8
43	Real Estate Sales	June 1999	Interprets SFAS No. 66	n/a
44	Accounting for Certain Transactions Involving Stock Compensation	March 2000	Interprets APB Op. No. 25	n/a
45	Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others	Nov. 2002	Interprets SFAS No. 5, 57	n/a
45	Consolidation of Variable Interest Entities	Nov. 2002	Interprets ARB No. 51	8

Technical Bulletins (of FASB)

79-3	Subjective Acceleration Clauses in Long-Term Debt Agreements	Dec. 1979	No reclassification of long-term debt to short-term debt under subjective acceleration clause unlikely to be activated	n/a
79-12	Interest Rate Used in Calculating the Present Value of Minimum Lease Payments	Dec. 1979	Permits using secured borrowing rate so long as reasonable and representative of lease's subject matter in a financing	n/a
80-1	Early extinguishment of Debt through Exchange for Common or Preferred Stock	Dec. 1980	Treat as early extinguishment unless conversion privileges contained in original debt instrument	n/a

Statements of Position (SOP) (of AICPA, accounting matters)

82-1	Accounting and Financial Reporting for Personal Financial Statements	1982	Basic accounting for individuals	21*
92-9	Accounting by Not-for-Profit Organizations	1992	Basic accounting for such organizations	21*
93-6	Employers' Accounting for Employee Stock Ownership Plans	1993	Basic accounting for ESOPs	13*
97-2	Software Revenue Recognition	1997	Draws upon SEC Staff Accounting Bulletin No. 101	4
98-1	Software Development Costs	1998	Treatment as long-lived asset, including impairment testing	5*

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12	Inquiry of a Client's Lawyer . . .	1976	Lawyer-auditor interactions	14
54	Illegal Acts by Clients	1988	Prescribes methods	19
57	Auditing Accounting Estimates	1988	Prescribes methods	19
58	Reports on Audited Financial Statements	1988	Reflects AICPA Rule 203	2
62	Special Reports	1989	Attestation to assertions such as certification of compliance with contractual covenants	17

69	The Meaning of Present Fairly in Conformity with [GAAP] in the Independent Auditor's Report	1992	Defines the "GAAP Hierarchy"	1, 2
73	Using the Work of a Specialist	1994	Prescribes parameters	19
95	Generally Accepted Auditing Standards	2001	Prescribes 10 standards (general, field work and reporting)	1
99	Consideration of Fraud in a Financial Statement Audit	2002	Detecting fraud	19

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