

**ACCOUNTING
DESK BOOK
EIGHTH EDITION**

**The Accountant's Everyday
Instant Answer Book**

**TOM PLANK
AND
DOUGLAS L. BLENSLY**



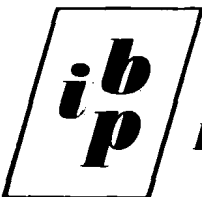
*Institute for
Business Planning*

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Instant Answer Book**

**Revised by
Douglas L. Blensly, CPA and Tom M. Plank, MBA**



Institute for Business Planning

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*—From a Declaration of Principles jointly adopted by a
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A WORD ABOUT THE VALUE OF THIS DESK BOOK

This ready-reference instant-answer manual has been used for over twenty years as a source for reliable accounting and tax information. It covers the topics that most frequently cross the desks of business and professional accounting and finance people.

In order to keep pace with the many changes in the accounting and tax treatment of business transactions in the past couple of years, another cover-to-cover overhaul was necessary. The result is the all-new Eighth Edition which continues to be one of the most concise yet wide-ranging guides to today's real accounting world found anywhere in print.

The new "lion" of a tax law is just one area where you will find answers on how to handle many tough questions. Scarcely any area of interest has escaped the author's notice: Individual tax and financial topics . . . bankruptcy . . . imputed interest rules . . . S corporations . . . restrictions on premature accrual of expenses . . . finance leases . . . new LIFO reserve requirements . . . how small businesses can raise capital more easily . . . a 35-page analysis of the latest tax law . . . the new public accounting standards manual . . . and much more.

In short, there has never been a more valuable and timely edition of this ready-to-use, time-tested classic.

INSTITUTE FOR BUSINESS PLANNING, INC.
Publisher

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Foreword

Most accounting books and articles, in quoting or referencing the AICPA standards, mention as a source the original number of the APB, ARB, SAS, FASB, etc. Reference to those individual pronouncements often involves the further trace to a prior announcement, which amended a prior one, which amended . . . and so on. Also, every opinion, by itself, is dated and pinpointed in time and cannot in itself indicate *subsequent* changes thereafter. Unless one makes manual changes and references to the opinions as they are amended by later pronouncements, he may be working with a provision which is outdated or voided by a later one.

There is only one adequate timely publication which constantly updates the standards—paragraph by paragraph—as changes occur. This two-volume *Current Text* is published by the Financial Accounting Standards Board. Volumes 3 and 4 *Current Text* replaces the AICPA's four-volume *Professional Standards*.

Material Disclosed in the *Current Text**

The FASB *Current Text* is an integration of currently effective accounting and reporting standards. Material in the *Current Text* is drawn from AICPA Accounting Research Bulletins, APB Opinions, FASB Statements of Financial Accounting Standards, and FASB Interpretations. Those pronouncements are covered by Rule 203 of the Rules of Conduct of the AICPA Code of Professional Ethics, which states:

Rule 203—Accounting principles. A member shall not express an opinion that financial statements are presented in conformity with generally accepted accounting principles if such statements contain any departure from an accounting principle promulgated by the body designated by Council . . . to establish such principles which has a material effect on the statement taken as a whole, unless the member can demonstrate that due to unusual circumstances the financial statements would otherwise have been misleading. In such cases, his report must describe the departure, the approximate effects

*See Appendix G for the itemized content of the two volumes of *Current Text*.

thereof, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

Interpretation No. 2 of Rule 203 states:

Status of FASB interpretations. Council is authorized under Rule 203 to designate a body to establish accounting principles and has designated the Financial Accounting Standards Board as such body. Council also has resolved that FASB Statements of Financial Accounting Standards, together with those Accounting Research Bulletins and APB Opinions which are not superseded by action of the FASB, constitute accounting principles as contemplated in Rule 203.

In determining the existence of a departure from an accounting principle established by a Statement of Financial Accounting Standards, Accounting Research Bulletin or APB Opinion encompassed by Rule 203, the division of professional ethics will construe such Statement, Bulletin or Opinion in the light of any interpretations thereof issued by the FASB.

The *Current Text* also incorporates the supplemental guidance provided by FASB Technical Bulletins and AICPA Accounting Interpretations.

The *Current Text* does not in any way supersede, change, or otherwise affect the pronouncements from which it is drawn. Although edited by the FASB staff, the abridged text has not been subjected to the FASB's due process procedures used for issuing FASB Statements. The authority of the *Current Text* is derived from the underlying pronouncements, which remain in force.

Material Excluded from the *Current Text*

The *Current Text* does not include FASB Statements of Financial Accounting Concepts, APB Statements, or AICPA Terminology Bulletins. Those documents may be found in *Original Pronouncements through June 1973* and *Original Pronouncements July 1973–June 1st, 1983*, the companion publications to the *Current Text* that contain the complete text of all pronouncements arranged in chronological sequence.

The *Current Text* also does not include AICPA Industry Accounting or Audit Guides or Statements of Position, except as specialized principles in them have been extracted and issued in FASB Statements. Nor are Statements of International Accounting Standards included. All of those documents, however, are available from the American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036.

The *Current Text* is a condensed version of original pronouncements. Descriptive material, such as information about Exposure Drafts, respondents' comments, background information, and reasons for conclusions and dissents, is generally excluded. However, certain material contained in other than the standards section of an original pronouncement is included to help the reader understand or implement the *Current Text*. Readers wishing to better understand the rationale behind a pronouncement or seeking background information should refer to the original pronouncement from which the related *Current Text* material

is drawn. This is easy to do because each paragraph in the *Current Text* contains a source reference to the original pronouncement.

Organization of *Current Text*

The *Current Text* integrates financial accounting and reporting standards according to the major subject areas to which they apply. The subjects are arranged alphabetically in sections that are grouped into two volumes. The first volume (General Standards) contains those standards that are generally applicable to all enterprises; the second volume (Industry Standards) contains specialized standards that are applicable to enterprises operating in specific industries. Each volume presents flowcharts to assist in identifying the disclosure requirements for the sections contained in that volume. A comprehensive Topical Index appears at the end of each volume. The *Current Text* includes disclosure checklists in flowchart form.

Each **section** is identified by an alpha-numeric code. (The numeric part has been arbitrarily selected to allow space for future additions.) The alpha-numeric code in the General Standards volume follows an alpha-numeric-numeric pattern (for example, A99), and the code in the Industry Standards volume follows an alpha-alpha-numeric pattern (for example, Aa9). Each volume has a key cross-reference guide which contains a list of topics arranged alphabetically that might logically be sought under each letter and the section code where each topic can be found.

Paragraphs within each section are numbered consecutively, according to the following numeric format:

Paragraphs .101–.399: Standards

Paragraphs .401–.499: Glossary

Paragraphs .501–.999: Supplemental guidance (not covered by Rule 203)

All **section-paragraph references** are made in the following form: B05.127 or In6.102. For example, B05.127 refers to Section B05, “Balance Sheet Classification: Current Assets and Current Liabilities,” paragraph .127, and In6.102 refers to Section In6, “Insurance Industry,” paragraph .102.

Terms defined in the **Glossary** for a section are in boldface type the first time they appear in that section.

Source references are provided that indicate the original pronouncements from which material in each paragraph and footnote is derived. They appear in brackets and use the following abbreviations:

FAS	FASB Statement of Financial Accounting Standards
FIN	FASB Interpretation
FTB	FASB Technical Bulletin
CON	FASB Statement of Concepts
APB	AICPA Accounting Principles Board Opinion

ARB	AICPA Accounting Research Bulletin
AIN	AICPA Accounting Interpretation
ch	chapter
fn	footnote

For example, the source reference [FIN21, ¶15, fn3] indicates paragraph 15, footnote 3 of FASB Interpretation No. 21, *Accounting for Leases in a Business Combination*. Similarly, the source reference [AIN-APB11, #8] indicates the eighth AICPA Accounting Interpretation of APB Opinion No. 11, *Accounting for Income Taxes*.

Transitional language and editorial changes that *add* wording to an original pronouncement to maintain a consistent editorial style within the volumes appear in brackets. If an original pronouncement *deletes* wording from a previous pronouncement and it does not provide substitute wording, the amending pronouncement is not included in the source reference described in the preceding paragraph. Only the source reference for the earlier pronouncement is noted. However, Appendix B identifies the sources for all such deletions. Certain editorial deletions have been made to original pronouncements either to maintain a consistent editorial style or for clarity. Those deletions also are not noted. However, in such cases the deletions have not affected the substance of the text. Other changes have been made to conform format (for example, “iii” may have been changed to “c”) or terminology, as follows:

<u>Term in <i>Original Pronouncement</i></u>	<u>Term in <i>Current Text</i></u>
should (meaning <i>must</i>)	shall
see (in making a reference)	refer to
which (in a restrictive clause)	that
where (not location)	if
when (not specific timing)	if
entity (if used broadly)	enterprise
company	enterprise
corporation	enterprise
earned surplus	retained earnings
capital surplus	additional paid-in capital
additional paid-in surplus	additional paid-in capital

Effective Dates and Transition Provisions of Underlying Pronouncements

The effective dates of FASB Statements of Financial Accounting Standards, FASB Interpretations, APB Opinions, and Accounting Research Bulletins, and the issue dates of AICPA Accounting Interpretations and FASB Technical Bulletins are summarized in Appendix C. That appendix also presents the transition paragraphs of more recent pronouncements whose effective dates and transition

provisions are such that they might be initially applied in annual financial statements issued on or after June 1, 1983.

Users may need to refer to Appendix C to determine if the requirements of recently issued pronouncements are effective in their particular circumstances. Users concerned with accounting and reporting standards for financial statements of prior years also may need to refer to the original pronouncements that were effective for those years. Appendix B lists changes to original pronouncements as the result of subsequent pronouncements.

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