

FASB Interpretation No. 20

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Reporting Accounting Changes under AICPA Statements of Position

an interpretation of APB Opinion No. 20

November 1977



Financial Accounting Standards Board

of the Financial Accounting Foundation

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FIN 20: Reporting Accounting Changes under AICPA Statements of Position

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INTRODUCTION AND BACKGROUND INFORMATION

1. The Accounting Standards Division of the AICPA has asked the FASB to either reconsider certain provisions of *APB Opinion No. 20*, "Accounting Changes," or to clarify whether statements of position issued by the AICPA may specify how to report a change to adopt its recommendations for purposes of applying that Opinion.
2. Paragraph 4 of *APB Opinion No. 20* indicates that each APB Opinion specifies how to report a change to conform with the conclusions of the Opinion and further states:

An industry audit guide prepared by a committee of the American Institute of Certified Public Accountants may also prescribe the manner of reporting a change in accounting principle. Accordingly, the provisions of this Opinion do not apply to changes made in conformity with such pronouncements issued in the past or in the future.

3. At the time *APB Opinion No. 20* was issued in July 1971, the Accounting Principles Board issued Opinions on financial accounting and reporting and various AICPA industry committees issued industry audit guides that dealt with both the specialized auditing procedures and the specialized accounting practices applicable to enterprises in those industries. Subsequently, specialized industry accounting practices were dealt with in a new series of industry accounting guides issued by the AICPA, each of which specified how to report a change in accounting to conform with the conclusions of the guide. In July 1973, the FASB replaced the APB; the AICPA discontinued the industry accounting guides and its Accounting Standards Division began issuing statements of position ¹ covering specialized industry accounting practices.
4. The FASB believes that in due course *APB Opinion No. 20* should be reconsidered. The FASB believes further, however, that pending that reconsideration, issuance of this Interpretation

will result in improvements in financial accounting and reporting.

INTERPRETATION

5. For purposes of applying *APB Opinion No. 20*, an enterprise making a change in accounting principle to conform with the recommendations of an AICPA statement of position shall report the change as specified in the statement. If an AICPA statement of position does not specify the manner of reporting a change in accounting principle to conform with its recommendations, an enterprise making a change in accounting principle to conform with the recommendations of the statement shall report the change as specified by Opinion No. 20.

EFFECTIVE DATE

6. This Interpretation shall be effective December 1, 1977.

This Interpretation was adopted by the affirmative votes of four members of the Financial Accounting Standards Board following submission to the members of the Financial Accounting Standards Advisory Council. Messrs. Armstrong, Kirk, and Mays dissented.

Messrs. Armstrong, Kirk, and Mays dissent from this Interpretation because they believe that the FASB should reconsider currently *APB Opinion No. 20* on its merit instead of permitting the AICPA to grant selective dispensations from the requirements of that Opinion.

Further, Mr. Mays dissents because he believes that this Interpretation, in effect, constitutes an unwarranted delegation of authority to the AICPA to establish standards of financial accounting and reporting.

Members of the Financial Accounting Standards Board:

Marshall S. Armstrong, *Chairman*
Oscar S. Gellein
Donald J. Kirk
Arthur L. Litke
Robert E. Mays
Robert T. Sprouse
Ralph E. Walters

Footnotes

FIN20, Footnote 1—In the introduction to previously issued statements of position, the AICPA indicates that "Statements of Position of the Accounting Standards Division are issued for the general information of those interested in the subject. They present the conclusions of at least a majority of the Accounting Standards Executive Committee, which is the senior technical body of the [AICPA] authorized to speak for the [AICPA] in the areas of financial accounting and reporting and cost accounting.

"The objective of Statements of Position is to influence the development of accounting and reporting standards in directions the Division believes are in the public interest. It is intended that they should be considered, as deemed appropriate, by bodies having authority to issue pronouncements on the subject. However, Statements of Position do not establish standards enforceable under the [AICPA's] Code of Professional Ethics."