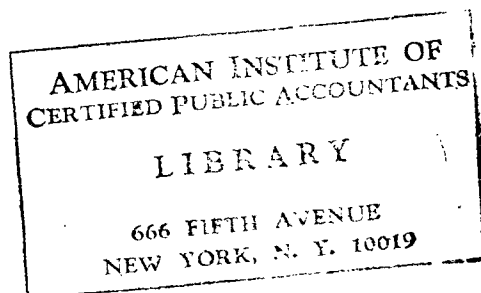


AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Organization and Operation of the Accounting Research  
Program and Related Activities



October 1959

## NOTE

Sections III through VI, pages 10 to 22, consist of the "Charter Rules" which are a restatement of the provisions relating to the operations of the Accounting Principles Board in the report of the special committee on research program approved by Council at its April 1959 meeting. Certain additions and changes have been made by the Board. They are as follows:

### Additional Points

Members of the Board to be elected at the spring meeting of Council. Section IIIb<sup>4</sup>, p. 10.

Provision that the Chairman may serve for more than one term. Section IIIc1, p. 11.

Provision for a vice chairman of the Board. Section III d, p. 11.

Board has authority to revise or revoke any of its previously issued pronouncements. Section IIIe1, p. 12.

Provision that members and chairman of the fiscal committee may serve more than one term. Section IVa, p. 15; section IVb, p. 16.

General status of the accounting research division. Section Va, p. 17. Conforms to or implied by action of the executive committee in presenting report of the special committee to the Council.

Director of Accounting Research shall have privilege of the floor at Council meetings. Section Vc<sup>4</sup>, p. 18.

Procedure for amending Charter Rules. Section VI, p. 22.

### Interpretive Modifications

The phrase "or authorize" added in sentence: "The Board is designated the sole group in the Institute having authority to make or authorize public pronouncements on accounting principles. Section IIIa, p. 9.

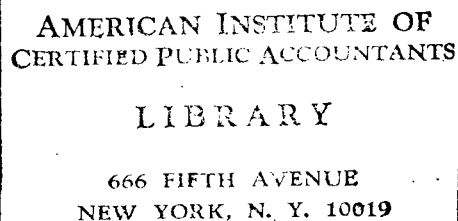
Details of handling inquiries resulting in interpretive rulings. Section IIIe5, p. 13.

The Director of Accounting Research and the Chairman of the Board to determine what distribution of accounting research studies is practicable. Sec. Ve<sup>4</sup>, p. 21.

The Director of Accounting Research and the Chairman of the Board to determine what is an appropriate distribution of announcements of research projects. Sec. Vg. p. 22.

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## DEFINITIONS

### I. Definitions

As used herein: "Institute" means the American Institute of Certified Public Accountants; "Council" means the Council of the Institute; "executive committee" means the executive committee of the Institute; "Board" means the Accounting Principles Board of the Institute; "Division" means the accounting research division of the Institute; "fiscal committee" means the fiscal committee of the Board; "Executive Director" means the Executive Director of the Institute; "Chairman" means the chairman of the Board; "Vice Chairman" means the vice chairman of the Board; and "Director" means the Director of Accounting Research of the Institute.

## CHARTER RULES

(Rules Incorporating the Report of the Special Committee on Research Program Dated September 1958, as Modified and Approved by the Council April 20, 1959)

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### II. Basic Considerations

The basic considerations underlying the accounting research program and related activities of the Institute are to be as expressed in the report of the special committee on research program as follows:

"The general purpose of the Institute in the field of financial accounting should be to advance the written expression of what constitutes generally accepted accounting principles, for the guidance of its members and of others. This means something more than a survey of existing practice. It means continuing effort to determine appropriate practice and to narrow the areas of difference and inconsistency in practice. In accomplishing this, reliance should be placed on persuasion rather than on compulsion. The Institute, however, can, and it should, take definite steps to lead in the thinking on unsettled and controversial issues.

"The broad problem of financial accounting should be visualized as requiring attention at four levels: first, postulates; second, principles; third, rules or other guides for the application of principles in specific situations; and fourth, research.

"Postulates are few in number and are the basic assumptions



on which principles rest. They necessarily are derived from the economic and political environment and from the modes of thought and customs of all segments of the business community. The profession, however, should make clear its understanding and interpretation of what they are, to provide a meaningful foundation for the formulation of principles and the development of rules or other guides for the application of principles in specific situations. Also, the Institute should encourage cooperative study with other representative groups to determine that its understanding and interpretation of the postulates are valid and to provide a forum which will command sufficient respect to bring about a change in the postulates when any of them become outmoded.

"A fairly broad set of coordinated accounting principles should be formulated on the basis of the postulates. The statement of this probably should be similar in scope to the statements on accounting and reporting standards issued by the American Accounting Association. The principles, together with the postulates, should serve as a framework of reference for the solution of detailed problems.

"Rules or other guides for the application of accounting principles in specific situations, then, should be developed in relation to the postulates and principles previously expressed. Statements of these probably should be comparable as to subject matter with the present accounting research bulletins. They should have reasonable flexibility.

"Adequate accounting research is necessary in all of

the foregoing. Pronouncements on accounting matters should be based on thoroughgoing, independent study of the matters in question, during which consideration is given to all points of view. For this, an adequate staff is necessary, to carry out detailed investigations, evaluate data, formulate conclusions, and draft reports setting forth results. Research reports or studies should be carefully reasoned and fully documented. They should have wide exposure to both the profession and the public. This is an effective way to stimulate and crystallize thinking on accounting matters.

"Initial attention, perhaps primary attention, should be given to the accounting problems in connection with the published financial statements of industrial and commercial corporations, including those subject to regulatory authority. But, in the long run, attention should not be confined to them. Equally important accounting problems exist in connection with the financial statements of small businesses, partnerships, individual proprietorships, associations, institutions, governmental bodies, and the like.

"Thought should be given at the beginning and from time to time thereafter to the forward planning of the accounting research program and related activities, to the end that accounting procedures are evolved on a coherent and consistent basis and pronouncements are made in an orderly and timely manner.

"The accounting research program should be one of the most important activities of the Institute. The work merits

the attention of the Institute's ablest members.

"The closest cooperation of others concerned with the results of this work should be enlisted. That of industry is especially important. That of governmental agencies, stock exchanges, and other professions is necessary also. Probably this cooperation can be effected best in connection with specific projects. It may be received not only from organized groups such as trade associations, regulatory commissions, and professional bodies, but also from individual corporations, firms, and persons. Of course, other accounting organizations --the various national and state associations and societies-- should be kept in close touch with the work and should be given every opportunity to present their views on matters under consideration."

### III. The Board

#### a. General Status

The Board is designated the sole group within the Institute having authority to make or authorize public pronouncements on accounting principles. The Board shall report to the Council.

#### b. Membership

##### 1. Number

The Board shall consist of eighteen members.

##### 2. Qualifications

The Board shall be composed of members of the Institute selected primarily because of their competence and interest rather than as representatives of particular groups or geographical areas.

### 3. Nominations

The members of the Board shall be nominated by the executive committee.

### 4. Election

The members of the Board shall be elected by the Council. Elections to fill regular vacancies due to expiring terms shall take place at the spring meeting of the Council, to be effective the following September 1. If there is a vacancy in the Board during an elected term, a new member shall be nominated by the executive committee and elected by the Council at its first meeting following the occurrence of such a vacancy. The term of a member elected to fill such a vacancy occurring during an elected term shall commence with his election, and shall continue for the balance of the unexpired term filled by his election.

### 5. Term of Service

The regular term of service shall be three years. Initially, six members were elected for three years, six for two years, and six for one year, all of which terms began September 1, 1959. Hereafter, six shall be elected each year for three-year terms, commencing September 1 following election. Members of the Board may serve for more than one term.

#### c. The Chairman

##### 1. Selection

The regular term of office of a Chairman shall be three years. The Chairman shall be nominated by the executive committee in the following manner. In presenting to the Council its nominations when a Chairman's term of office is about to expire, one of the nominees or members of the Board shall be designated

by the executive committee to be the Chairman. The person so designated shall become the Chairman when his election, as such, by the Council becomes effective. If there is a vacancy in the chairmanship during an elected term, the new Chairman shall be designated by the executive committee subject to the approval of the Council at its next meeting; in the meantime, the Vice Chairman shall act as Chairman. In the case of appointments to fill a vacancy, the term of office will end with the expiration of membership on the Board. A Chairman may serve for more than one term.

2. Duties

The Chairman shall be the presiding officer of the Board. He shall participate with the Director in the planning of the accounting research program of the Institute; if they cannot agree on a particular matter, they shall refer it to the Board for decision. He shall have the responsibility of approving appointments made by the Director of project advisory committees. He shall be a member, ex officio, of the fiscal committee. He shall have the responsibility for assembling and making reports to the Council concerning the work of the Board, the fiscal committee, and the Division.

d. The Vice Chairman

1. Selection

The members of the Board are authorized to elect one of the members as Vice Chairman.

2. Duties

The Vice Chairman shall preside at meetings of the Board if the Chairman is absent. In case of the death, resignation, or

incapacity of the Chairman, he shall assume the other functions of the Chairman until a new Chairman is elected by the Council.

e. Pronouncements on Accounting Principles

1. Authority for Issuance

The Board shall have the authority and the duty to issue, in its own name, pronouncements on accounting principles. It may, in its discretion, revise or revoke, in whole or in part, or issue interpretive statements as to any pronouncements previously issued.

2. Nature

Such pronouncements are expected to comprehend basic postulates, broad principles, and rules or other guides for the application of accounting principles in specific situations, such rules or other guides being developed in relation to basic postulates and broad principles previously expressed. They are to be based on what the Board determines to be adequate research and are expected to be regarded as authoritative written expressions of generally accepted accounting principles.

3. Origin

Such pronouncements ordinarily are to be based on accounting research studies previously prepared by the Division and published in the name of the Director. The Board may, in its discretion, issue a pronouncement which is not based on such studies. Unless it deals with a subject such as a factual survey which would not be expected to be acted upon by the Board, an accounting research study shall be considered by the Board as soon as is practicable following its publication. The Board shall take such action in regard to the study as, in its discretion, it determines

to be appropriate, including a decision to hold it for future action. If the Board disagrees with any part of the study, it shall make its dissent public together with the reasons therefor, at such time as it shall determine to be appropriate. The Board may, in its discretion, initiate action with respect to a particular matter without waiting for the publication of an accounting research study. In this event it shall instruct the Director to undertake any necessary research work and to prepare a draft of a pronouncement for its consideration.

#### 4. Exposure of Drafts

Drafts of proposed pronouncements on accounting principles ordinarily shall be widely exposed for comment before publication, to give interested persons opportunity to present, for consideration by the Board, memoranda in addition to those which may have been presented previously to the Division in connection with the preparation of an accounting research study.

#### 5. Interpretations

All questions submitted in writing to the Institute concerning the interpretation or application of the Board's pronouncements shall be considered by the Director. If, in his opinion, a question is substantive rather than routine in character, he shall transmit it to the Board, together with any answer which may have been given by a member of the Institute staff. If the Board agrees that the question is a substantive one, it shall formulate an answer and publish it as one of a series of interpretive rulings. Exposure of drafts of proposed interpretive rulings for comment before publication and the extent of such exposure, if any, shall be in the discretion of the Board.

f. Approval of Pronouncements

Pronouncements of the Board on accounting principles shall have the approval of at least two-thirds of the members of the Board then serving.

g. Ratification of Pronouncements

Pronouncements of the Board on accounting principles are not required to be presented to the Council or to the membership of the Institute for approval.

h. Drafting and Similar Work

The Board shall rely on the Division for drafting and similar work in connection with its pronouncements. It is expected that the Board will avoid detail of this kind, and devote its efforts to the substance of the material presented for its consideration.

i. Rules of Procedure

The Board may adopt rules of procedure which are not inconsistent with these Charter Rules.

j. Reports

The Board shall report to the Council. It shall make regular semiannual reports and in addition such special reports as the Council may require. The regular reports shall comprise three parts--one relating to the technical work of the Board, one relating to the activities of the fiscal committee (over the signature of the chairman of the fiscal committee), and one relating to the activities of the Division (over the signature of the Director). The Chairman shall have the responsibility of assembling the reports and presenting them to the Council.



k. Relation to Previous Committees

The Board shall succeed the committees on accounting procedure and on terminology as of September 1, 1959. The unfinished business of those committees as of that date shall be disposed of as determined by the Board in consultation with those committees and the Director. In order to clarify the status of the accounting research bulletins and terminology bulletins then existing, the Board shall make an announcement concerning them, but the Board shall have the right to issue pronouncements concerning any of them at any time.

IV. The Fiscal Committee

a. Membership

The fiscal committee shall consist of the Chairman of the Board, ex officio, and three other members of the Board. In presenting to the Council its nominations for membership on the Board, three of the nominees shall be designated by the executive committee to be members of the fiscal committee. The regular term of service shall be three years. Initially, one member was designated from among the six members of the Board elected for three years, one from among those elected for two years, and one from among those elected for one year. Hereafter, one shall be designated from among the six to be elected each year. Members of the fiscal committee may serve for more than one term. If there is a vacancy in the fiscal committee during an elected term, a new member shall be designated by the executive committee from among the members of the Board to serve for the unexpired term.

b. Chairman of the Fiscal Committee

In presenting to the Council its designations for membership on the fiscal committee, one of the designees shall be named to be the chairman of the fiscal committee. The regular term of service shall be three years. A chairman of the fiscal committee may serve for more than one term. The duties of the chairman of the fiscal committee shall be those usually assigned to a committee chairman.

c. Duties

The fiscal committee shall supervise the fiscal administration of the accounting research program of the Institute. It shall make recommendations to the budget committee of the Institute and shall review the adherence to budgets adopted by the Council. It shall recommend the Director to the executive committee for appointment.

d. Rules of Procedure

The fiscal committee may adopt rules of procedure which are not inconsistent with these Charter Rules.

e. Reports

The fiscal committee shall report to the Council through the Board, its report (over the signature of the chairman of the fiscal committee) being one part of the regular report of the Board to the Council.

f. Relation to the Executive Director

The Executive Director acts for the executive committee in the administration of the headquarters staff organization of the Institute, and consequently has general administrative supervision over the Division. The Executive Director shall have the privilege

of the floor at meetings of the fiscal committee.

V. The Division

a. General Status

The Division shall be organized initially in the same manner and be subject to the same administrative supervision as other divisions of the Institute. Its accounting, purchasing, and house-keeping services shall be supplied by the regular staff of the Institute. The Director and the staff of the Division shall conform to financial and administrative policies and procedures applicable to other divisions of the Institute staff under the general supervision of the executive committee.

b. Composition

The Division shall comprise, on a permanent basis, the Director, senior members, and junior members, all having the general qualifications indicated in the report of the special committee on research program, and secretaries. The permanent staff may be supplemented from time to time by temporary personnel, usually for specific projects, obtained from educational institutions, public accounting firms, or other sources, as suggested in the report.

c. The Director

1. Appointment

The Director shall be appointed by the executive committee upon recommendation by the fiscal committee. Administratively, he shall be responsible to the Executive Director.

2. Duties

The Director shall be the administrative head of the Division, and shall have active charge and direction of the carrying out

of the accounting research program of the Institute, including the assignment of research projects and the supervision of work. He shall participate with the Chairman in the planning of the program; if they cannot agree on a particular matter, they shall refer it to the Board for decision. With the approval of the Chairman, he shall have the authority to appoint project advisory committees and to designate the chairmen thereof. He shall have the authority to approve accounting research studies for publication, but he shall be expected to rely heavily on the views of the project advisory committees as to the suitability of studies for publication. He shall have the authority to select and approve the appointment of other members of the staff of the Division. He shall undertake research studies for the Board, and shall provide the Board with assistance in drafting and similar work on request.

### 3. Reports

The Director shall report to the Council through the Board, his report (over his signature) being one part of the regular report of the Board to the Council. In his report, he shall give the reasons for abandoning any research project or for not publishing the results of any completed research project.

### 4. Meetings

The Director shall have the privilege of the floor at meetings of the Board, the fiscal committee, and the Council.

#### d. Project Advisory Committees

A project advisory committee consisting of a small group, usually five to seven, of individuals especially qualified in the area under study, shall be appointed by the Director, with the

approval of the Chairman, to consult from time to time with the Director and the staff members assigned to each research project. The project advisory committee ordinarily shall be selected partly from the Board, with a member of the Board acting as its chairman, and partly from the general membership of the Institute, but individuals from industry and other sources outside the Institute may be invited to be members. The members of a project advisory committee are to be available during the course of the work on a research project, to suggest sources of information, to review conclusions reached by the staff members, and ultimately to review the draft of the report and to advise as to its suitability for publication as an accounting research study.

e. Accounting Research Studies

1. Authority for Issuance

The principal end product of the work of the Division is to be a series of accounting research studies. The Director shall have the authority and the duty to issue such studies in his name and in the name of those who have been associated with him in a research project.

2. Nature

Accounting research studies ordinarily shall be published upon the completion of a research project by the Division, and shall be in the form of a pamphlet or monograph presenting a detailed, documented report of the work on a research project, giving pro and con arguments on controversial points, offering conclusions or recommendations, and, where appropriate, illustrating and demonstrating the application of principles. They are to provide the

profession and the public with a reasonably complete discussion and documentation of accounting problems, and to indicate logical solutions to the problems in relation to basic postulates and broad principles. They are to be informative, but tentative only. They are to furnish a vehicle for the exposure of matters for consideration and experimentation prior to the issuance of a pronouncement by the Board. They are expected to contribute substantially toward the development of sound accounting practices, especially as to unsettled and controversial matters, and toward the recognition and acceptance of later pronouncements by the Board.

### 3. Publication

Accounting research studies shall be published by the Institute. Each published study shall carry the names of the Director, the staff members who made the study, and the project advisory committee for the research project. Any of such persons, except staff members assigned to the research project in subordinate capacities, who disagree with the conclusions expressed in the study, may have an explanation of his position included in the published document. Each study so published shall bear a clear statement to the effect that it has not been approved or disapproved by the Board or by the Institute, and does not necessarily reflect their views. In deciding whether or not to have a study published by the Institute, the Director shall give due consideration to the views of the project advisory committee for the research project, and ordinarily will be expected not to proceed contrary to substantial opposition of the group. If a study is not published by the Institute, the Director may authorize a staff member to publish

it under his own name.

4. Distribution

The distribution of accounting research studies published by the Institute shall be as wide as the Director and the Chairman shall, in their discretion, determine to be practicable among accountants, both public and private, students and teachers, and others who would be interested. The Director shall request the Editor of The Journal of Accountancy to publish a summary and the conclusions of such studies as a means of calling attention thereto.

f. Planning of Work

1. Initial Projects

As soon as practicable after its organization the Division shall undertake a study of the basic postulates underlying accounting principles generally, and the preparation of a brief statement thereof. It also shall undertake a study of the broad principles of accounting, and the preparation of a reasonably condensed statement thereof. The results of these, as adopted by the Board, shall serve as the foundation for the entire body of subsequent pronouncements by the Institute on accounting matters, to which each new release shall be related.

2. Long-range Planning

In the future planning of the accounting research program, that is, the selection of research projects and decision as to the order in which to take them up, the Director and the Chairman shall be guided generally by the considerations mentioned in the report of the special committee on research program.

g. Announcement of Research Projects

At an appropriate time prior to or during the course of

the work on a research project, public announcement shall be made to the effect that the Division is studying, or is about to begin studying, a particular matter, and that persons who desire to have their views considered are invited to submit memoranda to the Director. Such announcement shall include notices in The Journal of Accountancy and in The CPA, and letters to such organizations and individuals as the Director and the Chairman shall, in their discretion, determine to be appropriate. The material received in response to this invitation shall be given careful consideration. Unless restricted by the contributor, it shall be considered as available for examination by all interested persons.

h. Rules of Procedure

The Director may establish working rules for the Division which are not inconsistent with these Charter Rules.

VI. Amendments

These Charter Rules may be amended by the Council. Recommendations for amendment may be made at any meeting of the Board, and, if approved by a two-thirds vote of the members then serving, shall be submitted to the Council. Proposed amendments of the Charter Rules affecting the fiscal committee submitted to the Council shall be accompanied by a statement relating to the matter by the members of the fiscal committee. Proposed amendments of the Charter Rules affecting the Division submitted to the Council shall be accompanied by a statement relating to the matter by the Director.



## BOARD RULES

(Rules Adopted by the Board Pursuant to Charter Rule IIII)

### VII. Meetings

#### a. Call of Meeting

A meeting of the Board shall be held when a call is issued by the Chairman, usually about four times a year. The time and place shall be set by him after consultation, to the extent practicable, with the other members of the Board. Except in an emergency the call shall be issued at least thirty days in advance of a meeting. The Chairman shall call a meeting at the written request of six members of the Board.

#### b. Quorum Requirements

A majority of the members of the Board then serving shall constitute a quorum.

#### c. Presiding Officer

The Chairman shall preside at meetings of the Board. If he is unable to be present, the Vice Chairman shall preside.

#### d. Substitutes for Absent Members

With the approval of the Chairman, a substitute for an absent member of the Board may attend a meeting as an observer on his behalf, and shall have the privilege of the floor, but shall have no vote.

#### e. Agenda

The Chairman shall prepare a written agenda for each meeting and distribute it to the members of the Board, normally at least

ten days prior to the date of the meeting. With the consent of a majority of the members present, additions may be made to the agenda at the meeting.

f. Voting

Each member, including the Chairman, shall have one vote on any matter before the Board. Approval by written ballot by two-thirds of the members then serving shall be required for (1) the issuance or revision of a pronouncement on accounting principles, (2) the issuance or revision of an interpretive ruling, (3) the review of work of committees of the Institute, and (4) the adoption or amendment of the rules of procedure. Any other matter may be decided by the vote of a majority of the members present at a meeting. It is to be expected that informal polls of Board sentiment will be taken from time to time during Board meetings to determine the trend of thinking regarding matters under discussion; these pollings have no status as to the official position of the Board and shall not constitute a commitment on the part of a member as to his vote when he is formally polled by written ballot.

g. Minutes

Minutes shall be kept of all meetings of the Board by the Executive Director of the Institute, or by his designee. Copies shall be distributed promptly to members of the Board, the Executive Director, the Director, and such other members of the staff of the Institute as may be designated by the Executive Director or the Director.

h. Relation to the Director

The Director shall be expected to attend all meetings of

the Board. He shall have the privilege of the floor. With the approval of the Chairman, he may send a representative if he is unable to attend himself.

#### VIII. Correspondence

Copies of correspondence relating to matters before the Board, or otherwise relating to its operations, ordinarily shall be distributed to members of the Board, the Director, and such other members of the staff of the Institute as may be designated by the Executive Director or the Director. In the case of project advisory committees or committees of the Board, copies need be sent only to members of such committees and to the staff of the Institute as indicated above.

#### IX. Confidential Nature of Materials

All correspondence relating to the operations of the Board, and the preliminary and ballot drafts of pronouncements by the Board, shall be considered confidential so as to permit free expression by the members of the Board in their relations to one another. This is not intended to prohibit discussions of problems under consideration by the Board with partners or clients of the members or with others who can contribute helpful information, but the confidential nature of such communications should be made clear. Neither is this rule in contradiction to, nor should it in any way inhibit, the application of the general policy of wide exposure of the research activities of the Institute and of the matters under consideration by the Board.

X. Research and Drafting

To relieve the members of the Board from the responsibility of such details and to facilitate the conduct of meetings of the Board, research and drafting are to be carried out by the staff of the Division. However, the members shall be expected to contribute to the Director, for the use of his staff, materials and suggestions which they believe helpful.

XI. Committees

The Chairman may appoint committees of the Board to consider particular topics on the agenda. The committees, with the assistance of the Director and his staff, shall prepare reports to the Board.

XII. Procedure Following the Publication of an Accounting Research Study

a. Distribution of the Final Draft to the Board

When an accounting research study is ready for publication, copies of the final draft shall be sent to members of the Board for consideration as the basis for a pronouncement by the Board, and the subject shall be placed on the agenda of the next meeting. If time permits, the members shall be expected to offer comments prior to such meeting.

b. Announcement of the Decision of the Board

If the Board dissents from the conclusions of the accounting research study, the Director shall be instructed to prepare an announcement of the decision, which shall include the reasons for the dissent, for publication in The Journal of Accountancy. If appropriate to do so, the announcement may indicate also that the

Board is considering the issuance of a pronouncement which will take a position contrary to that taken in the study. The Board may make a public announcement (1) if it agrees substantially with the conclusions and recommendations of the accounting research study and plans to issue a pronouncement on the subject, or (2) if it decides to place the subject of the study on its agenda but plans to wait for a time before considering the issuance of a pronouncement of its own.

### XIII. Issuance of Pronouncements on Accounting Principles

#### a. When Based on an Accounting Research Study

##### 1. Preparation of a Draft

If the Board accepts the conclusions of an accounting research study as the basis of a pronouncement on accounting principles, either at the time of its publication or at a later time, the Director shall be instructed to prepare a draft of a proposed pronouncement for consideration by the Board.

##### 2. Exposure of the Draft

When the Board has reached a decision as to the contents of such a pronouncement, the Director shall be instructed to prepare an exposure draft and to distribute it for comment to such organizations, groups and persons as the Chairman and Director shall determine to be appropriate. The usual exposure period shall be sixty days, but the Board may, in its discretion, lengthen or shorten this period.

##### 3. Ballot Draft

The Director shall receive and analyze the comments on the exposure draft and shall distribute a memorandum of the results

to the members of the Board. The Board may have a new draft or drafts prepared as a basis for further discussion. Upon the approval of the contents of a final draft, the Director shall be instructed to prepare a ballot draft and to send a copy thereof, together with a ballot form, to each member of the Board.

#### 4. Ballot Form

The ballot form shall provide for an assent to, or a dissent from, the ballot draft. It shall state that members of the Board may include suggestions for language changes and that they also may qualify their assent to or may dissent from a part or all of the conclusions and recommendations in the ballot draft. If a member qualifies his assent to or dissents from a part or all of the ballot draft, he may submit a written explanation of his position for inclusion in the published document if one is issued. The ballot form shall contain a notice to the effect that publication requires the approval of two-thirds of the members of the Board then serving; that the Director, with the approval of the Chairman, may make changes in the text of the ballot draft not affecting its substance; and that if members suggest changes in substance and approve the ballot draft subject to such changes being made, the Director will either treat them as dissenting, or resubmit the ballot draft with their suggestions, to the entire membership of the Board.

#### 5. Publication

If two-thirds of the members of the Board then serving approve the issuance of a ballot draft, the Director shall have copy prepared for the printer and see that the pronouncement is distributed to the membership of the Institute and is made available for sale to

the public. An announcement of the publication shall be made in The Journal of Accountancy and The CPA, and the editor shall be requested to reprint the pronouncement in an early issue of The Journal of Accountancy. Published pronouncements on accounting principles shall contain the names of all of the members of the Board. They shall designate the members who qualify their assent and those who dissent, and shall include brief explanations of the position of such members.

b. When Not Based on an Accounting Research Study

When the Board disagrees with the conclusions of an accounting research study and decides to issue a pronouncement which takes a contrary position, or when a matter is considered by the board to be too urgent to wait for the publication of an accounting research study, the procedure shall be the same as that outlined in rule XIIIa except that a memorandum prepared under the direction of the Director will replace the final draft of an accounting research study.

c. Materiality

Pronouncements on accounting principles shall be considered applicable only to items which are material and significant in the relevant circumstances.

d. Retroactivity

Pronouncements on accounting principles shall be considered not to call for retroactive application unless they contain an assertion of intent to do so.

e. Timing

Pronouncements on accounting principles shall ordinarily be issued between April 1 and October 31 of any one year.

f. Interpretive Rulings

1. Distribution of Questions

Questions submitted in writing to the Institute concerning the interpretation or application of pronouncements of the Board, which are considered by the Director to be substantive rather than routine in character, shall be transmitted to the members of the Board, together with any answers which may have been given by members of the Institute staff.

2. Action by the Director and the Board

The preliminary consideration of a question may be by correspondence among the members of the Board or by discussion at a meeting of the Board or both, at the discretion of the Chairman. The Board may refer the question back to the Director. If the Board deems the question to be substantive, it shall instruct the Director to prepare the draft of an interpretive ruling in answer to the question. The procedure followed in the issuance of such rulings shall be similar to that followed in the issuance of pronouncements on accounting principles as outlined in Rule XIIIa except that exposure of drafts of proposed interpretive rulings for comment before publication shall be at the discretion of the Board. The issuance of an interpretive ruling shall require the approval by written ballot of two-thirds of the members of the Board then serving.

g. Revision and Revocation

A revision or revocation of a pronouncement of the Board shall be made in the same manner and with the same degree of formality as the original pronouncement.



#### XIV. Review of the Work of Institute Committees

If a committee wishes to deal publicly with a matter of accounting principle, consideration shall be given to the necessity of first presenting it to the Board. Decision as to whether or not there is such a necessity shall be the joint responsibility of the Director and the Director of the Technical Services Division. If they cannot agree, the decision shall be made by the Chairman. If the decision is that the matter should be presented to the Board, this may be done by correspondence among the members of the Board or by discussion at a meeting of the Board, or both, at the discretion of the Chairman. The Board may (1) approve the proposed action of the committee, or (2) disapprove such proposed action, or (3) issue a pronouncement of its own in the matter. The affirmative vote of at least two-thirds of the members of the Board then serving shall be required for the first or the third alternatives. If the Board elects the third alternative, the procedure followed in the issuance of its pronouncement shall be similar to that outlined in Rule XIIIa.

#### XV. Reports

The Chairman shall distribute a draft of his report to the Council to the members of the Board prior to its presentation to the Council, in time to permit the receipt and consideration of comments from the members.

#### XVI. Amendments

These Board Rules may be amended at any meeting by a two-thirds vote of the Board.

## FISCAL COMMITTEE RULES

(Rules Adopted by the Fiscal Committee Pursuant to Charter Rule IVd)

### XVII. Meetings

#### a. Call of Meeting

A meeting of the fiscal committee shall be held when a call is issued by the chairman of the fiscal committee. The time and place shall be set by him after consultation, to the extent practicable, with the other members of the committee.

#### b. Number of Meetings

At least two meetings shall be held each year. The budget of the Director for the fiscal year beginning on September 1 is to be in the hands of the Controller of the Institute by the preceding July 1, and the revised budget for the remainder of the fiscal year and the forecast for the following year are to be submitted by the ensuing February 15.

#### c. Quorum Requirements

Three members of the fiscal committee shall constitute a quorum.

#### d. Presiding Officer

The chairman of the fiscal committee shall preside at its meetings. If he is unable to be present, the chairman of the Board shall act as the presiding officer.

#### e. Agenda

The chairman of the fiscal committee ordinarily shall prepare a written agenda for each meeting and distribute it to the members of the fiscal committee with the call for the meeting.

With the consent of a majority of the members present, additions may be made to the agenda at the meeting.

f. Voting

Each member of the fiscal committee, including the chairman of the fiscal committee, shall have one vote on any matter before the fiscal committee, and any matter shall be decided by the vote of a majority of those members present at a meeting or expressing their opinions by correspondence. In case of a tie vote, the matter shall be referred to the Board for decision.

g. Minutes

Minutes shall be kept of all meetings of the fiscal committee by the Executive Director of the Institute, or by his designee. Copies shall be distributed promptly to members of the fiscal committee, other members of the Board, the Executive Director, the Director, and such other members of the Institute staff as may be designated by the Executive Director or the Director.

h. Relation to the Director

The Director shall be expected to attend meetings of the fiscal committee. He shall have the privilege of the floor. He shall prepare budgets, budget reports, and reports of other administrative problems of the Division for the information of and review by the fiscal committee.

XVIII. Correspondence

Copies of correspondence among members of the fiscal committee relating to the operations of the fiscal committee shall be distributed to members of the fiscal committee, and the Director. All such correspondence shall be considered confidential.

XIX. Reports

The chairman of the fiscal committee shall distribute a draft of his report to the Council to the members of the fiscal committee prior to its presentation to the Council, in time to permit the receipt and consideration of comments from the members of the fiscal committee. The report shall be sent to the Chairman for transmittal to the Council.

XX. Amendments

These fiscal committee rules may be amended at any meeting by a two-thirds vote of the members of the fiscal committee.