



TO: Members of AWSCPA and The Accounting Profession
FROM: AWSCPA National Executive Board
RE: Comments of FASB/September 11 Classifications
DATE: October 25, 2001

Issue

The National Executive Board of the American Woman's Society of CPAs (AWSCPA) has been asked to comment on the recent pronouncement by FASB's Emerging Issues Task Force (EITF) stating that the events of September 11, 2001 are not eligible to be treated as an extraordinary event.

Facts

On September 11, 2001 both World Trade Towers were destroyed in New York as the result of a terrorist attack. The Pentagon was damaged by a terrorist attack. An additional plane was hijacked and crashed in Pennsylvania.

APB 30 Par 19 addresses the issue of Extraordinary Items.

SEC Training Manual discusses Extraordinary Items.

FASB is the designated organization in the Private Sector for establishing standards of financial accounting and reporting.

The Emerging Issues Task Force (EITF) is the group responsible for recommendations to FASB on timely reporting guidance. Consensus among this group (11 of 13) results in the conclusion becoming a part of GAAP (generally accepted accounting principles).

Conclusion

The National Executive Board of the American Woman's Society of Certified Public Accountants (AWSCPA) believes that the events of September 11, 2001 do qualify as an

extraordinary event under the criteria of APB 30 for some businesses, while the event may not qualify for other businesses. For instance, this event would be unusual for the investment banks that had their offices in the World Trade Towers but it would not be unusual for the airlines and insurance companies. The National Executive Board of AWSCPA believes that the issue is not the classification of the event but rather the ability to accurately measure the costs that deny extraordinary event treatment to the September 11, 2001 tragedy. It will be very difficult to quantify the financial effects of lost revenue, business interruption, employee hiring and training, employee counseling programs, recreations of information, loss of fixed assets, locating new place of business etc. on one line item - extraordinary event. We recommend the use of footnotes to the financial statements as a way to disclose additional information that would be beneficial to the readers of the financial statements. This position is consistent with the position taken by the AICPA. We also recommend following the guidance of the Task Force to determine whether the losses and costs meet the criteria for disclosure of unusual and infrequently occurring items. If so, these costs and losses should be listed as a separate component of income from continuing operations.

The National Executive Board of AWSCPA believes that all attempts should be made to properly disclose the effects of September 11 to investors using the guidelines noted above. A discussion of criteria for Extraordinary Events and other issues raised by the EITF follows for your information.

Discussion

The National Executive Board of AWSCPA agrees with some of the Task Force members that the events of September 11 do in fact meet the extraordinary item criteria of APB 30 for a large number of businesses. The two criteria in this pronouncement state that the event must be unusual in nature and infrequent in occurrence. One of the issues at hand for the Task Force was whether one could reasonably expect a terrorist attack to occur again in the United States. A reading of the minutes of the Task Force indicate that this particular classification issue was not resolved as it was determined that “regardless of whether the September 11 events meet the criteria in Opinion 30 to be considered extraordinary, the effects of those events were so wide-ranging and had such a pervasive impact on U.S. businesses and the U.S. economy that the foregoing communication objectives of Opinion 30 with respect to extraordinary items could not be met.”

The Task Force was more focused on consistent reporting by all companies affected by the tragic events of September 11. The Task Force agreed that “despite the incredible nature of the September 11 events, extraordinary item financial reporting treatment would not be an effective way to communicate the financial effects of those events and therefore, should not be used in this case.” The Task Force noted that “it would be impossible to isolate and therefore distinguish (in a consistent way) the effects of the September 11 events in any single line item on the companies’ financial statements because of the inability to separate losses that are directly attributable to the September 11 events from those that are not.”

The National Executive Board of AWSCPA believes that the events of September 11 are an extraordinary event for some companies; however the Board agrees with the Task Force that it would be impossible for all companies to report in a consistent manner.

The Task Force also noted that the effects between the events of September 11 and the downturn in the economy prior to September 11 would be difficult to measure. The National Board of AWSCPA agrees with this statement.

The Task Force also noted that under APB 30 estimated lost or reduced revenues are not allowed under the classification of extraordinary events. The National Board of AWSCPA agrees with this statement.

The National Executive Board of AWSCPA has noted that this ruling by FASB, which becomes a part of financial reporting under GAAP, is not without controversy. We note that accurate information needs to be given to investors and believe that that information can be better communicated through both discussion and disclosure in the footnotes to the financial statements and through reporting unusual and infrequently occurring items as a separate component of income from continuing operations.

***The American Woman's Society of Certified Public Accountants
(AWSCPA) provides a supportive environment that promotes equity and
provides opportunities for the achievement of career goals in a competitive
and rapidly changing profession.***

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