

Arrangements was originally issued as a notice to practitioners, published in the April 1986 issue of *The Journal of Accountancy*. This notice was subsequently reprinted without modification as Exhibit I to the AICPA's Practice Bulletin 1 dated November 1987. Furthermore, question 8 of this topic is deleted because the guidance contained in this question and interpretive response, which related to transition to the guidance in Topic 1.I, is no longer relevant due to the passage of time. Furthermore, the reference in the interpretive response to question 1 to Rule 1-02(v) of Regulation S-X has been changed to Rule 1-02(w) of Regulation S-X, since this Rule was redesignated in Exchange Act Release No. 34-35094.

g. Topic 1.J, the first paragraph of the interpretive response is modified to remove the reference to specific percentages and refer to the significance tests in Rule 3-05.

h. Topic 1.L is deleted since it refers to the bankruptcy of a specific accounting firm (Laventhol & Horwath) which occurred in 1990.

i. Topic 1.M is modified to update references to authoritative literature such as SAS 99, *Consideration of Fraud in a Financial Statement Audit*, which superseded SAS 82, *Consideration of Fraud in a Financial Statement Audit*.

2. Topic 2: Business Combinations—Note: In June 2001, the FASB issued Statement 141, which superseded APB Opinion 16, and Statement 142 which superseded APB Opinion 17. Paragraph 13 of Statement 141 requires all business combinations within the scope of that statement to be accounted for using the purchase method as described in that statement. The provisions of Statement 141 are applicable to all business combinations initiated after June 30, 2001. The pooling-of-interests method of accounting for business combinations, as provided for in APB Opinion 16, is no longer permitted for business combinations initiated after June 30, 2001. Several of the interpretive questions in this topic relate to the conditions that must be met in order for a business combination to be appropriately accounted for under the pooling-of-interests method. Accordingly, these interpretive questions are no longer needed.

a. Topic 2.A.1 is deleted. This topic addresses the impact of cash contingencies on classifying a combination as a pooling-of-interests. Since business combinations cannot be accounted for using the pooling-of-interests method, the guidance is no longer relevant.

b. Topic 2.A.2 is deleted. This topic contained two interpretive questions regarding how the acquiring corporation should be determined in a purchase business combination, following the guidance in APB Opinion 16. These interpretations were premised on the language contained in paragraph 70 of APB Opinion 16, which indicated that “* * * presumptive evidence of the acquiring corporation in combinations effected by an exchange of stock is obtained by identifying the former common stockholder interests of a combining company which either retain or receive the larger portion of the voting rights in the combined corporation. That corporation should be treated as the acquirer unless other evidence clearly indicates that another corporation is the acquirer.” Guidance on identifying the acquiring entity is now provided in paragraphs 15 through 19 of Statement 141. This guidance provides several factors to be considered in determining the acquiring entity, one of which is the relative voting rights in the combined entity after the combination. The presumptive language contained in APB Opinion 16 was not retained in Statement 141. Therefore, the guidance in Topic 2.A.2 is no longer relevant.

c. Topic 2.A.3 is deleted. This topic provided interpretive guidance regarding the application of the purchase method of accounting for business combinations to acquisitions of financial institutions during a period of unusual economic conditions (*i.e.*, a period of abnormally high interest rates). This guidance focused on: (1) Unique considerations in the allocation of purchase price to acquired tangible and intangible assets in financial institution acquisitions (such as the determination of the fair values of assets acquired, and the identification and valuation of identifiable intangible assets), (2) the appropriate measure of the fair value of deposit liabilities assumed in acquisitions of financial institutions, and (3) the appropriate amortization periods and methods for intangible assets acquired and goodwill arising from financial institution acquisitions. Statements 141 and 147 provide new guidance as to the criteria for recognizing an intangible asset apart from goodwill in a purchase business combination. Statement 142 provides new guidance on the initial recognition and measurement of intangible assets, and the determination of the useful lives and amortization methods for intangible assets subject to amortization. Statement 142 also provides new guidance on accounting for goodwill. Consequently,

the guidance contained in this topic is no longer relevant.

d. Topic 2.A.4 is deleted. This topic provided guidance on the determination of the appropriate amortization period for goodwill arising from financial institution acquisitions which occurred after December 23, 1981 at the time an entity participating in such an acquisition became an SEC registrant. Under the provisions of Statement 142, goodwill is not amortized, but instead must be tested for impairment at least annually following the methodology provided in that statement. Therefore, the guidance in this topic is no longer relevant.

e. Topic 2.A.5 is modified to update the former references to APB Opinion 16 contained therein to the relevant portions of Statement 141, and to otherwise make the language in this guidance consistent with the provisions of Statement 141.

f. Topic 2.A.6 is modified to update the former references to APB Opinion 16 contained therein to the relevant portions of Statement 141, and to otherwise make the language in this guidance consistent with the provisions of Statement 141.

g. Topic 2.A.7 is modified to update the former references to APB Opinion 16 contained therein to the relevant portions of Statement 141, and to otherwise make the language in this guidance consistent with the provisions of Statement 141.

h. Topic 2.A.8 is modified to update the former references to APB Opinion 16 contained therein to the relevant portions of Statement 141, and to otherwise make the language in this guidance consistent with the provisions of Statement 141. Furthermore, footnote 2 is deleted, since this footnote provided transition guidance which is no longer necessary due to the passage of time.

i. Topic 2.A.9 is modified to update the former references to APB Opinion 16 contained therein to the relevant portions of Statement 141, and to otherwise make the language in this guidance consistent with the provisions of Statement 141.

j. Topic 2.B is deleted. It addressed the treatment of merger expenses in a pooling-of-interests combination. Since, under Statement 141, all combinations are treated as purchases, this guidance is no longer necessary.

k. Topic 2.C is deleted. It addressed certain pro forma disclosures required for a pooling-of-interests combination. Since, under Statement 141, all combinations are treated as purchases, this guidance is no longer necessary.