

ALASKA LEGISLATURE COMMITTEE FILES 1983-1984

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HSA HB 164 - HB 176

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.147 If an enterprise presents the minimum information required by this section, it shall measure net assets (that is, shareholders' equity) for the purposes of the five-year summary:

- a. On a historical cost/constant dollar basis at the amount reported in its primary financial statements adjusted for the difference between the historical cost/nominal dollar amounts and the historical cost/constant dollar amounts or lower recoverable amounts of inventory and property, plant, and equipment
- b. On a current cost basis at the amount reported in its primary financial statements, adjusted for the difference between the historical cost/nominal dollar amounts and the current cost or lower recoverable amounts of inventory and property, plant, and equipment and restated in constant dollars in accordance with paragraph .146

If an enterprise elects to present comprehensive supplementary financial statements on a current cost/constant dollar basis, or on a historical cost/constant dollar basis, it may report the amount of net assets in the five-year summary in accordance with the comprehensive statements. [FAS33, ¶66]

#### Transition Provisions

.148 An enterprise is required to state, in the five-year summary of selected financial data, only the following amounts for fiscal years ended before December 25, 1979: net sales and other operating revenues, cash dividends declared per common share at fiscal year-end (paragraphs .113(a), (d)(2), and (d)(3)). Disclosure of the other items listed in paragraph .113 for fiscal years ended before December 25, 1979 is encouraged. Disclosure of current cost information in the five-year summary (paragraph .113(c)) for fiscal years ending before December 25, 1980 may be postponed to the first annual report for a fiscal year ending on or after December 25, 1980. [FAS33, ¶68] An enterprise that first applies the requirements of this section for a fiscal year ended on or after December 25, 1980 is required to state for earlier years, in its five-year summary, only the following items listed in paragraph .113: net sales and other operating revenues (item (a)), cash dividends declared per common share (item (d)(2)), and market price per common share at fiscal year-end (item (d)(3)). Disclosure of the other items listed in paragraph .113 for earlier years is encouraged. [FAS33, ¶69]

#### Illustrations of Disclosures

.149 Exhibits 149A through 149C illustrate formats that may be used to disclose the information required by this section. The illustrations relate to a manufacturing enterprise. Clear presentations and explanations are important if information on the effects of changing prices is to be as useful as possible. Enterprises are encouraged to experiment with the use of different forms of presentation. [FAS33, ¶70]

Exhibit 149A

Statement of Income from Continuing Operations  
Adjusted for Changing Prices

For the Year Ended December 31, 19X9  
(in 000s of average 19X9 dollars)

Income from continuing operations, as reported in the income statement		\$ 9,000
Adjustments to restate costs for the effect of general inflation		
Cost of goods sold	\$(7,384)	
Depreciation and amortization expense	<u>(4,130)</u>	<u>(11,514)</u>
Loss from continuing operations adjusted for general inflation		(2,514)
Adjustments to reflect the difference between general inflation and changes in specific prices (current costs)		
Cost of goods sold	\$(1,024)	
Depreciation and amortization expense	<u>(5,370)</u>	<u>(6,394)</u>
Loss from continuing operations adjusted for changes in specific prices		<u>\$(8,908)</u>
<u>Gain from decline in purchasing power of</u> <u>net amounts owed</u>		<u>\$ 7,729</u>
Increase in specific prices (current cost) of inventories and property, plant, and equipment held during the year*		\$24,608
Effect of increase in general price level		<u>18,959</u>
Excess of increase in specific prices over increase in the general price level		<u>\$ 5,649</u>

\*At December 31, 19X9, current cost of inventory was \$65,700 and current cost of property, plant, and equipment, net of accumulated depreciation, was \$85,100. [FAS33, ¶70]

Exhibit 149B

Statement of Income from Continuing Operations Adjusted for Changing Prices  
For the Year Ended December 31, 19X9  
(In (000s) of Dollars)

	<u>As Reported in the Primary Statements</u>	<u>Adjusted for General Inflation</u>	<u>Adjusted for Changes in Specific Prices (Current Costs)</u>
Net sales and other operating revenues	<u>\$253,000</u>	<u>\$253,000</u>	<u>\$253,000</u>
Cost of goods sold	197,600	204,384	205,408
Depreciation and amortization expense	10,000	14,130	19,500
Other operating expense	20,835	20,835	20,835
Interest expense	7,165	7,165	7,165
Provision for income taxes	9,000	9,000	9,000
	<u>244,000</u>	<u>255,514</u>	<u>261,908</u>
Income (loss) from continuing operations	<u>\$ 9,000</u>	<u>\$ ( 2,514)</u>	<u>\$ ( 8,908)</u>
Gain from decline in purchasing power of net amounts owed		<u>\$ 7,729</u>	<u>\$ 7,729</u>
Increase in specific prices (current cost) of inventories and property, plant, and equipment held during the year*			\$ 24,608
Effect of increase in general price level			<u>18,959</u>
Excess of increase in specific prices over increase in the general price level			<u>\$ 5,649</u>

\*At December 31, 19X9 current cost of inventory was \$65,700 and current cost of property, plant, and equipment, net of accumulated depreciation was \$85,100. (FAS33, ¶70)

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General Standards

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Exhibit 149B

**Statement of Income from Continuing Operations Adjusted for Changing Prices**  
**For the Year Ended December 31, 19X9**  
(In 000s) of Dollars)

	<u>As Reported in the Primary Statements</u>	<u>Adjusted for General Inflation</u>	<u>Adjusted for Changes in Specific Prices (Current Costs)</u>
Net sales and other operating revenues	<u>\$253,000</u>	<u>\$253,000</u>	<u>\$253,000</u>
Cost of goods sold	197,000	204,384	205,408
Depreciation and amortization expense	10,000	14,130	19,500
Other operating expense	20,835	20,835	20,835
Interest expense	7,165	7,165	7,165
Provision for income taxes	9,000	9,000	9,000
	<u>244,000</u>	<u>255,514</u>	<u>261,908</u>
Income (loss) from continuing operations	<u>\$ 9,000</u>	<u>\$ ( 2,514)</u>	<u>\$ ( 8,908)</u>
Gain from decline in purchasing power of net amounts owed		<u>\$ 7,729</u>	<u>\$ 7,729</u>
Increase in specific prices (current cost) of inventories and property, plant, and equipment held during the year*			\$ 24,608
Effect of increase in general price level			<u>18,959</u>
Excess of increase in specific prices over increase in the general price level			<u>\$ 5,649</u>

\*At December 31, 19X9 current cost of inventory was \$65,700 and current cost of property, plant, and equipment, net of accumulated depreciation was \$85,100. [FAS33, ¶70]

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Exhibit 149C

Five-Year Comparison of Selected Supplementary Financial  
 Data Adjusted for Effects of Changing Prices  
 (In (000s) of Average 19X9 Dollars)

	Years Ended December 31,				
	19X5	19X6	19X7	19X8	19X9
Net sales and other operating revenues	\$265,000	\$235,000	\$240,000	\$237,063	\$253,000
<i>Historical Cost information</i> <i>adjusted for general inflation</i>					
Income (loss) from continuing operations				(2,761)	(2,514)
Income (loss) from continuing operations per common share				\$ (1.91)	\$ (1.68)
Net assets at year-end				55,518	57,733
<i>Current cost information</i>					
Income (loss) from continuing operations				(4,125)	(8,908)
Income (loss) from continuing operations per common share				\$ (2.75)	\$ (5.94)
Excess of increase in specific prices over increase in the general price level				2,292	5,649
Net assets at year-end				79,996	81,466
Gain from decline in purchasing power of net amounts owned				7,027	7,729
Cash dividends declared per common share	\$ 2.59	\$ 2.43	\$ 2.26	\$ 2.16	\$ 2.00
Market price per common share at year-end	\$ 32	\$ 31	\$ 43	\$ 39	\$ 35
Average consumer price index	170.5	181.5	195.4	205.0	220.9

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### Illustrations of Mineral Reserves Disclosures

.150 Exhibit 150A illustrates a format for presenting quantity and price information relating to an enterprise's mineral reserves other than oil and gas. The format given here is only an illustration and is not intended to constrain enterprises from experimenting with the use of different forms of presentation. [FAS39, §17]

#### Exhibit 150A

##### Illustration of Supplementary Operating Statistics For a Mining Enterprise For the Five Years Ended 19X5

	<u>19X5</u>	<u>19X4</u>	<u>19X3</u>	<u>19X2</u>	<u>19X1</u>
<b>Proven and probable ore reserves at beginning of year (Note)</b>					
Tons (thousands)	21,000	21,500	22,000	23,000	24,000
Copper (percent)	1.109	1.109	1.109	1.109	1.109
Lead (percent)	5.97	5.98	5.98	5.98	5.98
Silver (ounces/tons)	3.79	3.80	3.80	3.75	3.75
<b>Tons of ore milled (thousands)</b>	1,025	1,000	890	900	850
<b>Metal produced (thousands)</b>					
- copper (pounds)	17,250	18,480	16,880	10,980	11,220
- lead (pounds)	92,700	92,400	75,450	53,910	45,750
- silver (ounces)	2,800	2,803	2,270	1,850	1,540
<b>Average market price</b>					
- copper (cents per pound)	85	75	68	72	61
- lead (cents per pound)	44	40	36	36	32
- silver (cents per ounce)	510	400	350	368	325

**Proved reserves**—The estimated quantities of commercially recoverable reserves that, on the basis of geological, geophysical, and engineering data, can be demonstrated with a reasonably high degree of certainty to be recoverable in the future from known mineral deposits by either primary or improved recovery methods.

**Probable reserves**—The estimated quantities of commercially recoverable reserves that are less well defined than proved reserves and that may be estimated or indicated to exist on the basis of geological, geophysical, and engineering data.

This [exhibit] illustrates one method of disclosing information about quantities of minerals owned, marketable products produced, and average market prices for those products. Other formats are acceptable. Information about ore grades and differentiations between the production of ores and of marketable product may not be appropriate for some

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minerals. The classification and degree of detail should follow normal industry practice. Beginning-of-year reserves are used for illustrative purposes. The requirement is for end-of-year or the most recent date during the year. Ranges of prices during the year may be supplied in addition to average prices. [FAS39, ¶17]

**Monetary and Nonmonetary Items**

.151 Exhibit 151A provides guidance on the interpretation of paragraphs .125 and .126 for the classification of certain asset and liability items as monetary or nonmonetary. It is not intended to provide answers that should be followed regardless of the circumstances of the case. Rather, the intent is to illustrate the application of the definitions to common cases under typical circumstances. In other circumstances the classification should be resolved by reference to the definitions [in the glossary]. [FAS33, ¶208] [The supplemental information in paragraphs .504 through .520 provides additional guidance on classification.]

**Exhibit 151A**

**Examples of Monetary and Nonmonetary Items**

Assets	<u>Monetary</u>	<u>Nonmonetary</u>
Cash on hand and demand bank deposits (U.S. dollars)	X	
Time deposits (U.S. dollars)	X	
Foreign currency on hand and claims to foreign currency†	X	
Securities:		
Common stocks (not accounted for on the equity method)		X
Common stocks represent residual interests in the underlying net assets and earnings of the issuer.		
Preferred stock (convertible or participating)		
Circumstances may indicate that such stock is either monetary or nonmonetary. Refer to convertible bonds.		(Refer to discussion.)
Preferred stock (nonconvertible, nonparticipating)		
Future cash receipts are likely to be substantially unaffected by changes in specific prices.	X	

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General Standards

Exhibit 151A (continued)

Monetary    Nonmonetary

Convertible bonds

If the market values the security primarily as a bond, it is monetary; if it values the security primarily as a stock, it is nonmonetary.

(Refer to discussion.)

Bonds (other than convertibles)

X

Accounts and notes receivable

X

Allowance for doubtful accounts and notes receivable

X

Variable rate mortgage loans

X

The terms of such loans do not link them directly to the rate of inflation. Also, there are practical reasons for classifying all loans as monetary.

Inventories used on contracts

They are, in substance, rights to receive sums of money if the future cash receipts on the contracts will not vary due to future changes in specific prices. (Goods used on contracts to be priced at market upon delivery are nonmonetary.)

(Refer to discussion.)

Inventories (other than inventories used on contracts)

X

Loans to employees

X

Prepaid insurance, advertising, rent, and other prepayments

Claims to future services are nonmonetary. Prepayments that are deposits, advance payments, or receivables are monetary because the prepayment does not obtain a given quantity of future services, but rather is a fixed money offset.

(Refer to discussion.)

Long-term receivables

X

Refundable deposits

X

Advances to unconsolidated subsidiaries

X

Equity investment in unconsolidated subsidiaries or other investees\*

X

Pension, sinking, and other funds under an enterprise's control

Exhibit 151A (continued)

	<u>Monetary</u>	<u>Nonmonetary</u>
The specific assets in the fund should be classified as monetary or non-monetary. (Refer to listings under securities above.)		(Refer to discussion.)
Property, plant, and equipment		X
Accumulated depreciation of property, plant, and equipment		X
Cash surrender value of life insurance	X	
Purchase commitments—portion paid on fixed price contracts		X
An advance on a fixed price contract is the portion of the purchaser's claim to nonmonetary goods or services that is recognized in the accounts; it is not a right to receive money.		
Advances to supplier—not on a fixed price contract	X	
A right to receive credit for a sum of money; [it is] not a claim to a specified quantity of goods or services.		
Deferred income tax charges†	X	
[These are] offsets to prospective monetary liabilities.		
Patents, trademarks, licenses and formulas		X
Goodwill		X
Deferred life insurance policy acquisition costs†	X	
The portion of future cash receipts for premiums that is recognized in the accounts. Alternatively, viewed as an offset to the policy reserve.		
Deferred property and casualty insurance policy acquisition costs related to unearned premiums		X
Other intangible assets and deferred charges		X
<b>Liabilities</b>		
Accounts and notes payable	X	
Accrued expenses payable (wages, etc.)	X	
Accrued vacation pay		
Nonmonetary if it is paid at the		

## Exhibit 151A (continued)

	<u>Monetary</u>	<u>Nonmonetary</u>
wage rates as of the vacation dates and if those rates may vary.		(Refer to discussion.)
Cash dividends payable	X	
Obligations payable in foreign currency	X	
Sales commitments—portion collected on fixed price contracts		X
An advance received on a fixed price contract is the portion of the seller's obligation to deliver goods or services that is recognized in the accounts; it is not an obligation to pay money.		
Advance from customers—not on a fixed price contract	X	
Equivalent of a loan from the customer; not an obligation to furnish a specified quantity of goods or services.		
Accrued losses on firm purchase commitments	X	
In essence, these are accounts payable.		
Deferred revenue		
Nonmonetary if an obligation to furnish goods or services is involved. Certain deferred income items of savings and loan associations are monetary.		(Refer to discussion.)
Refundable deposits	X	
Bonds payable and other long-term debt	X	
Unamortized premium or discount and prepaid interest on bonds or notes payable	X	
Inseparable from the debt to which it relates—a monetary item.		
Convertible bonds payable	X	
Until converted these are obligations to pay sums of money.		
Accrued pension obligations		
Fixed amounts payable to a fund are monetary; all other amounts are nonmonetary.		(Refer to discussion.)
Obligations under warranties		X
These are nonmonetary because they oblige the enterprise to furnish goods or services or their future price.		

## Exhibit 151A (continued)

	<u>Monetary</u>	<u>Nonmonetary</u>
wage rates as of the vacation dates and if those rates may vary.		(Refer to discussion.)
Cash dividends payable	X	
Obligations payable in foreign currency	X	
Sales commitments—portion collected on fixed price contracts		X
An advance received on a fixed price contract is the portion of the seller's obligation to deliver goods or services that is recognized in the accounts; it is not an obligation to pay money.		
Advance from customers—not on a fixed price contract	X	
Equivalent of a loan from the customer; not an obligation to furnish a specified quantity of goods or services.		
Accrued losses on firm purchase commitments	X	
In essence, these are accounts payable.		
Deferred revenue		
Nonmonetary if an obligation to furnish goods or services is involved. Certain deferred income items of savings and loan associations are monetary.		(Refer to discussion.)
Refundable deposits	X	
Bonds payable and other long-term debt	X	
Unamortized premium or discount and prepaid interest on bonds or notes payable	X	
Inseparable from the debt to which it relates—a monetary item.		
Convertible bonds payable	X	
Until converted these are obligations to pay sums of money.		
Accrued pension obligations		
Fixed amounts payable to a fund are monetary; all other amounts are nonmonetary.		(Refer to discussion.)
Obligations under warranties		X
These are nonmonetary because they oblige the enterprise to furnish goods or services or their future price.		

<b>Exhibit 151A (continued)</b>	<u>Monetary</u>	<u>Nonmonetary</u>
Deferred income tax credits†	X	
Cash requirements will not vary materially due to changes in specific prices.		X
Deferred investment tax credits		X
Not to be settled by payment of cash; associated with nonmonetary assets.		
Life insurance policy reserves	X	
Portions of policies' face values that are now deemed liabilities.		
Property and casualty insurance loss reserves	X	
Unearned property and casualty insurance premiums		X
These are nonmonetary because they are principally obligations to furnish insurance coverage. The dollar amount of payments to be made under that coverage might vary materially due to changes in specific prices.		
Deposit liabilities of financial institutions	X	

\*If an investment is accounted for on the equity method, and if the investor is preparing comprehensive constant dollar financial statements, the financial statements of the investee theoretically should be restated in constant dollars and the equity method should then be applied. However, if restated financial statements cannot be obtained from the investee, the investor may be able to prepare such statements using nominal dollar information that is available, such as nominal dollar financial statements for a series of years. As a simpler alternative, an investor that prepares comprehensive constant dollar statements merely could restate the entries in the investment account as recorded in accordance with the equity method.

†Although classification of this item as nonmonetary may be technically preferable, the monetary classification provides a more practical solution for the purposes of constant dollar accounting. [FAS33, ¶208]

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### Illustrative Calculations to Compute Historical Cost/Constant Dollar Information and Current Cost Information

.152 Paragraphs .153 through .183 give an example of the methodology that might be used in calculating the disclosures illustrated in Exhibits 149A through 149C. [FAS33, ¶209]

.153 Computation of historical cost/constant dollar information and of current cost information could be based on a detailed analysis of all transactions and an updating of all revenues, expenses, gains, and losses to reflect changes in purchasing power. However, the costs of preparing the information can be reduced with little loss of usefulness by simplifying the methods of calculation. Therefore, reve-

nues, expenses, gains, and losses except cost of sales and depreciation expense need not be adjusted from the amounts shown in the primary income statement, and approximate methods of computation are acceptable for adjusting cost of sales and depreciation expense (and the related asset measurements). The *measurement* of current cost is not illustrated in this section. However, enterprises may find it convenient to follow the methods of measurement illustrated for historical cost/constant dollar measurements, using specific price indexes in place of general price indexes. [FAS33, ¶210]

.154 The objective in making these calculations is to obtain a *reasonable degree* of accuracy—complete precision is not required. Preparers are encouraged to devise short-cut methods of calculation appropriate to their individual circumstances. ~~Some useful simplifications are described in the FASB Research Report, Field Tests of Financial Reporting in Units of General Purchasing Power, published in May 1977.~~ [FAS33, ¶211]

.155 If inventories and cost of sales are accounted for under the LIFO method in the primary financial statements, the only adjustment normally required in computing income from continuing operations would be to eliminate the effect of changing prices on any prior period LIFO layer liquidation. [FAS33, ¶212]

.156 The following sample calculations illustrate the minimum required calculations (in paragraphs .165 through .179). A method of checking the arithmetical accuracy of the calculations is included in paragraphs .180 and .182. [FAS33, ¶213]

.157 Throughout this illustration ~~CS indicates nominal dollars and CS indicates average 1939 constant dollars~~ [FAS33, ¶214]

.158 The results of these calculations, summarized in paragraph .182, are reflected in the illustrative disclosures in Exhibits 149A through 149C. [FAS33, ¶215]

#### ~~Steps to Restate Financial Information~~

.159 Seven basic steps to restate nominal dollar information (on either a historical cost basis or a current cost basis) into constant dollars are illustrated in paragraphs .164 through .182 [(based on information in Exhibits 159A and 159B and paragraphs .160 through .163)].

- a. Analyze inventory (at the beginning and end of the year) and cost of goods sold to determine when the costs were incurred.
- b. Restate inventory and cost of goods sold into constant dollars and current cost.

- c. Analyze property, plant, and equipment and related depreciation, depletion, and amortization expense to determine when the related assets were acquired.
- d. Restate property, plant, and equipment and depreciation, depletion, and amortization expense into constant dollars and current cost.
- e. Identify amount of net monetary items at the beginning and end of the period and changes during the period (refer to Exhibit 151A).
- f. Compute the purchasing power gain and loss on net monetary items.
- g. Compute change in current cost of inventory and property, plant, and equipment and the related effect of the increase in the general price level. [FAS33, §216]

Exhibit 159A

Historical Cost/Nominal Dollar Financial Statements and  
Other Background Information

Balance Sheets as at December 31, 19X9 and 19X8  
(000s)

	<u>19X9</u>	<u>19X8</u>		<u>19X9</u>	<u>19X8</u>
Current assets:			Current liabilities:		
Cash	\$ 1,000	\$ 2,000	Bank indebtedness	\$ 35,000	\$ 22,000
Accounts receivable	36,000	30,000	Accounts payable and accrued expenses	12,000	10,000
Inventories, at FIFO cost	<u>63,000</u>	<u>56,000</u>	Income taxes payable	6,000	6,000
Total current assets	<u>100,000</u>	<u>88,000</u>	Current portion of long-term debt	<u>5,000</u>	<u>5,000</u>
Property, plant, and equipment, at cost	100,000	85,000	Total current liabilities	58,000	43,000
Less accumulated depreciation	<u>56,000</u>	<u>46,000</u>	Deferred income taxes	6,000	5,000
	<u>44,000</u>	<u>39,000</u>	Long-term debt	<u>34,000</u>	<u>39,000</u>
			Total liabilities	<u>98,000</u>	<u>87,000</u>
			Shareholders' equity	46,000	40,000
	<u>\$144,000</u>	<u>\$127,000</u>		<u>\$144,000</u>	<u>\$127,000</u>

[FAS33, ¶217]

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d. At December 31, 19X9, the selling price per unit was \$85. [FAS33, ¶218]

## .161 Property, Plant, and Equipment

a. Details of fixed assets at December 31, 19X9 are as follows:

<u>Date Acquired</u>	<u>Percent Depreciated</u>	<u>Historical Cost (000s)</u>	<u>Accumulated Depreciation (000s)</u>
19X2	80	\$ 50,000	\$40,000
19X3	70	5,000	3,500
19X4	60	5,000	3,000
19X5	50	5,000	2,500
19X6	40	5,000	2,000
19X7	30	5,000	1,500
19X8	20	10,000	2,000
19X9	10	15,000	1,500
		<u>\$100,000</u>	<u>\$56,000</u>

- b. Depreciation is calculated at 10 percent per annum, straight-line. A full year's depreciation is charged in the year of acquisition.  
 c. There were no disposals.  
 d. Management has measured the current cost of property, plant, and equipment at December 31, 19X9 and 19X8 as follows:

(000s)

<u>Date Acquired</u>	<u>December 31, 19X9</u>		<u>December 31, 19X8</u>	
	<u>Current Cost</u>	<u>Accumulated Depreciation</u>	<u>Current Cost</u>	<u>Accumulated Depreciation</u>
19X2	\$120,000	\$ 96,000	\$110,000	\$ 77,000
19X3	10,000	7,000	6,000	3,600
19X4	15,000	9,000	7,000	3,500
19X5	18,000	9,000	12,000	4,800
19X6	12,000	4,800	10,000	3,000
19X7	17,000	5,100	15,000	3,000
19X8	12,000	2,400	10,000	1,000
19X9	<u>16,000</u>	<u>1,600</u>	—	—
	220,000	<u>\$134,900</u>	170,000	<u>\$ 95,900</u>
Accumulated depreciation		<u>134,900</u>		<u>95,900</u>
Net current cost		<u>\$ 85,100</u>		<u>\$ 74,100</u>

Exhibit 159B

Statement of Earnings and Shareholders' Equity  
for the Years Ended December 31, 19X9 and 19X8  
(000s)

	<u>19X9</u>	<u>19X8</u>
Sales	\$253,000	\$220,000
Cost of goods sold, exclusive of depreciation	197,000	170,600
Selling, general, and administrative expenses	20,835	25,500
Depreciation	10,000	8,500
Interest	7,165	3,400
	<u>235,000</u>	<u>208,000</u>
Earnings before taxes	18,000	12,000
Income taxes	9,000	6,000
Net income	<u>9,000</u>	<u>6,000</u>
Shareholders' equity at beginning of year	40,000	37,000
	<u>49,000</u>	<u>43,000</u>
Dividends	3,000	3,000
Shareholders' equity at end of year	<u>\$ 46,000</u>	<u>\$ 40,000</u>
Net income per share	<u>\$ 6.00</u>	<u>\$ 4.00</u>

[FAS33, ¶217]

.160 Inventory and Production

- a. Inventory is accounted for on a FIFO basis and turns over four times per year. There is no significant amount of work in progress or raw material.
- b. At December 31, 19X9 and 19X8, inventory consisted of 900,000 units and 1,000,000 units respectively—representing production of the immediately preceding quarter. Management has measured the current cost of inventory at \$73 per unit at December 31, 19X9 (\$65,700,000) and \$58 per unit at December 31, 19X8 (\$58,000,000).
- c. Costs were incurred and goods produced as follows:

	19X8	19X9				Total
	4th	1st	2nd	3rd	4th	
Historical Costs (000s)	\$56,000	\$39,560	\$59,400	\$42,040	\$63,000	\$204,000
Units produced (000s)	1,000	618	900	618	900	3,036
Units sold (000s)		1,000	618	900	618	3,136

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e. The net recoverable amount has been determined by management to be in excess of net current cost. [FAS33, ¶219]

.162 Dividends: Dividends were paid at the rate of \$750,000 per quarter. [FAS33, ¶220]

.163 Consumer Price Index (All Urban Consumers) [for 19X2 through 19X9 is as follows:]

Average	19X2	133.1	Average 4th Qtr.	19X8*	210.0
"	19X3	147.7	Average 4th Qtr.	19X9*	237.8
"	19X4	161.2	December	19X8	212.9
"	19X5	170.5	December	19X9	243.5
"	19X6	181.5			
"	19X7	195.4			
"	19X8	205.0			
"	19X9	220.9†			

\*Calculated by averaging the estimated monthly indexes for each quarter.

†Calculated by averaging the estimated monthly indexes for 19X9. The index for the last month of the year may not be available at the time of preparing the supplemental disclosures and may be estimated by extrapolating the rate of change for the previous month. [FAS33, ¶221]

**Objective**

.164 The objective is to express the supplementary information in average 19X9 dollars. As indicated in paragraph .153, nominal dollar measurements are to be used for all elements other than inventory, property, plant, and equipment, cost of sales, depreciation, and increases in current cost amounts of inventory and property, plant, and equipment. [FAS33, ¶222]

**Inventory and Cost of Goods Sold**

.165 *Step 1: Analyze inventory and cost of goods sold.* Inventory is assumed to turn over four times per year (refer to paragraph .164). Therefore, inventory with a historical cost of \$63,000 at December 31, 19X9 is assumed to have been acquired during the fourth quarter of 19X9 and inventory with a historical cost of \$56,000 at December 31, 19X8 is assumed to have been acquired in the fourth quarter of 19X8. [FAS33, ¶223]

C27.166

General Standards

.166 Step 2: Relate historical cost of inventory and cost of goods sold into average 19X9 dollars and at current cost. Inventory [is restated as follows:]

	(000s)	
	<u>Historical Cost/ Constant Dollars</u>	<u>Current Cost</u>
$\$63,000^* \times \frac{220.9 \text{ (average 19X9)}}{237.8 \text{ (4th qtr. 19X9)}}$	<u>C\$ 58,523</u>	<u>\$65,700†</u>

\*From paragraph .160(c).

†From paragraph .160(b). [FAS33, ¶224]

.167 Cost of goods sold, historical cost/constant dollar, [is computed as follows:]

	(000s)		
	<u>Nominal Dollars</u>	<u>Conversion Factor</u>	<u>Average 19X9 Dollars</u>
Balance, January 1, 19X9	\$ 56,000	$\times \frac{220.9 \text{ (avg. 19X9)}}{210.0 \text{ (4th qtr. 19X8)}}$	C\$ 58,907
Production during 19X9 (refer to paragraph .160(c))	204,000	•	204,000
Balance, December 31, 19X9	<u>(63,000)</u>	$\times \frac{220.9 \text{ (avg. 19X9)}}{237.8 \text{ (4th qtr. 19X9)}}$	<u>(58,523)</u>
Cost of goods sold	<u>\$197,000</u>		<u>C\$204,384</u>

\*Assumed to be in average 19X9 dollars. [FAS33, ¶225]

.168 Cost of goods sold, current cost is [as follows]:

Current cost at the beginning of the year	\$ 58/unit
Current cost at the end of the year	73/unit
	<u>\$ 131/unit</u>
Average current cost ( $\$131 \times \frac{1}{2}$ )	\$ 65.5/unit
Units sold during the year (000s)	<u>3,136</u>
Average current cost of goods sold (000s)	<u>\$205,408</u>

[FAS33, ¶226]

.169 In applying this section, the historical cost/constant dollar and current cost amounts should be compared to the recoverable amount. This is illustrated below:

Market price/unit at year-end (from paragraph .160(d))	\$85
Restated to average 19X9 dollars:	
$\$85 \times \frac{220.9 \text{ (average 19X9)}}{243.5 \text{ (Dec. 19X9)}}$	CS 77.11
Historical cost/constant dollar:	(000s)
Market value of inventory on hand at year-end (77.11 x 900,000)	CS 69,399
Restated historical cost (refer to paragraph .167)	<u>58,523</u>
Excess—no write-down required	<u>CS 10,876</u>
Current cost:	
Market value per unit at year-end	\$85
Current cost per unit of inventory on hand at year-end (refer to paragraph .160(b))	<u>73</u>
Excess—no write-down required	<u>\$12</u>

[FAS33, ¶227]

### Property, Plant, and Equipment and Depreciation, Depletion, and Amortization Expense

.170 *Step 3: Analyze property, plant, and equipment and depreciation, depletion, and amortization.* An analysis of property, plant, and equipment is given in paragraph .162. It normally will not be necessary to restate the cost and accumulated depreciation for each asset individually in order to obtain an acceptable level of accuracy. Satisfactory results can normally be obtained by using annual totals of acquisitions and dispositions and the average index for the year of acquisition and disposal. Moreover, assets acquired many years before the balance sheet date might be combined into convenient groups if there is some doubt about the specific years of acquisition or if changes in the index for several years can be considered on an average basis. For example, the cost of all assets acquired between 1945 and 1950 could be measured by reference to an index representing an average of those years. [FAS33, ¶228]

.171 *Step 4: Restate property, plant, and equipment and depreciation, depletion, and amortization expense into constant dollars and current cost.* Historical cost or property, plant, and equipment in average 19X9 dollars [is presented in Exhibit 171A.] [FAS33, ¶229]

Exhibit 171A

Historical Cost of Property, Plant, and Equipment in Average 19X9 Dollars

(1) Date of Acquisition	(2) Historical Cost/ Nominal Dollars (000s)	(3) Conversion Factor	(1) x (2) Historical Cost/ Constant Dollars (000s)	(4) Percent Depreciated	(5) (3) x (4) Accumulated Depreciation (000s)	(6) (3) - (5) Net
19X2	\$ 50,000	$\times \frac{220.9 \text{ (Avg. 19X9)}}{133.1 \text{ (" 19X2)}} =$	C\$ 82,983	80	C\$66,386	
19X3	5,000	$\times \frac{220.9 \text{ (" 19X9)}}{147.7 \text{ (" 19X3)}} =$	7,478	70	5,235	
19X4	5,000	$\times \frac{220.9 \text{ (" 19X9)}}{161.2 \text{ (" 19X4)}} =$	6,852	60	4,111	
19X5	5,000	$\times \frac{220.9 \text{ (" 19X9)}}{170.5 \text{ (" 19X5)}} =$	6,478	50	3,239	
19X6	5,000	$\times \frac{220.9 \text{ (" 19X9)}}{181.5 \text{ (" 19X6)}} =$	6,085	40	2,434	
19X7	5,000	$\times \frac{220.9 \text{ (" 19X9)}}{195.4 \text{ (" 19X7)}} =$	5,652	30	1,696	
19X8	10,000	$\times \frac{220.9 \text{ (" 19X9)}}{205.0 \text{ (" 19X8)}} =$	10,776	20	2,155	
19X9	15,000	$\times \frac{220.9 \text{ (" 19X9)}}{220.9 \text{ (" 19X9)}} =$	15,000	10	1,500	
	<u>\$100,000</u>		<u>C\$141,304</u>		<u>C\$86,756</u>	<u>C\$54,548</u>

Historical cost/constant dollar depreciation expense for 19X9 is calculated as follows:

C\$141,304 (column (3) x 10% straight-line = \$14,130 [FAS33, ¶229]

C27.171

General Standards

6866

Property, Plant, and Equipment at Current Cost

.172 It will usually be appropriate to calculate current cost depreciation, depletion, and amortization expense by reference to average current cost of the related assets (current cost of assets at beginning of year and current cost of assets at end of year  $\div$  2).

	<u>Current Cost (000s)</u>
Current cost, December 31, 19X8 (refer to paragraph .161(d))	\$170,000
Current cost, December 31, 19X9 (refer to paragraph .161(d))	<u>220,000</u>
[Total]	<u>\$390,000</u>
	$\div$ 2
Average current cost	<u>\$195,000</u>
Current cost depreciation: 10% straight-line	<u>\$ 19,500</u>

In this example, management has determined that the *recoverable amount* is greater than net current cost of property, plant, and equipment and there is no write-down required. [FAS33, §230]

Purchasing Power Gain on Net Monetary Items

.173 *Step 5: Identify monetary items at the beginning and end of the period and change during the period.* Monetary items [are identified as follows:]

	(000s) <u>Balance*</u>	
	<u>Dec. 19X9</u>	<u>Dec. 19X8</u>
Cash	\$ 1,000	\$ 2,000
Accounts receivable	36,000	30,000
Bank indebtedness	(35,000)	(22,000)
Accounts payable and accrued expenses	(12,000)	(10,000)
Income taxes payable	(6,000)	(6,000)
Current portion of long-term debt	(5,000)	(5,000)
Deferred income taxes	(6,000)	(5,000)
Long-term debt	<u>(34,000)</u>	<u>(39,000)</u>
Net monetary liabilities	<u>\$ (61,000)</u>	<u>\$ (55,000)</u>

\*Refer to Exhibit 159A. [FAS33, §231]

**C27.174**

*General Standards*

*Why not year end dollars?*

.174 *Step 6: Compute the purchasing power gain or loss on net monetary items.* The amount of net monetary items at the beginning of the year, changes in the net monetary items, and the amount at the end of the year are ~~stated in~~ ~~19X8 dollars~~. The purchasing power gain or loss on net monetary items is then the balancing item as illustrated below:

	(000s)		Average 19X9 Dollars
	<u>Nominal Dollars</u>	<u>Conversion Factor</u>	<u>Dollars</u>
Balance, January 1, 19X9	\$55,000	× $\frac{220.9 \text{ (avg. 19X9)}}{212.9 \text{ (Dec. 19X8)}}$	CS57,067
Increase in net monetary <u>liabilities</u> during the year	<u>6,000</u>	*	<u>6,000</u> 63,067
Balance, December 31, 19X9	<u>\$61,000</u>	× $\frac{220.9 \text{ (avg. 19X9)}}{243.5 \text{ (Dec. 19X9)}}$	<u>55,338</u>
Purchasing power gain on net monetary items			<u>CS 7,729</u>

\*Assumed to be in average 19X9 dollars. [FAS33, ¶232]

**Increase in Current Cost of Inventories and Property, Plant, and Equipment**

.175 *Step 7: Compute change in current cost of inventory and property, plant, and equipment and effect of the increase in the general price level.* Increase in current cost of inventories [is computed as follows:]

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	(000s)		
	<u>Current Cost/ Nominal Dollars</u>	<u>Conversion Factor</u>	<u>Current Cost/ Average 19X9 Dollars</u>
Balance, January 1, 19X9 (refer to paragraph .160(b))	\$58,000	× $\frac{220.9 \text{ (avg. 19X9)}}{212.9 \text{ (Dec. 19X8)}}$	CS 60,179
Production (refer to paragraph .160(c))	204,000	•	204,000
Cost of goods sold (refer to paragraph .168)	(205,408)	•	(205,408)
Balance, December 31, 19X9 (refer to paragraph .160(b))	<u>(65,700)</u>	× $\frac{220.9 \text{ (avg. 19X9)}}{243.5 \text{ (Dec. 19X9)}}$	<u>(59,602)</u>
Increase/(decrease) current cost of inventories	<u>\$ 9,108</u>		<u>CS 831</u>

\*Assumed to be in average 19X9 dollars. [FAS33, ¶233]

.176 The *inflation component* of the increase in current cost amount is the difference between the nominal dollar and constant dollar measures. Using the numbers from paragraph .175, [it is computed as follows:]

	(000s)
Increase in current cost (nominal dollars)	\$9,108
Increase in current cost (constant dollars)	CS 831
Inflation component	<u>8,277</u>

[FAS33, ¶234]

.177 Increase in current cost of property, plant, and equipment [is determined as follows:]

## C27.177

## General Standards

	(000s)		
	Current Cost/ Nominal Dollars	Conversion Factor	Current Cost/ Average 19X9 Dollars
Balance, January 1, 19X9 (refer to paragraph .161(d))	\$74,100	× $\frac{220.9 \text{ (avg. 19X9)}}{212.9 \text{ (Dec. 19X8)}}$	CS 76,884
Additions (refer to paragraph .161(a))	15,000	•	15,000
Depreciation expense (refer to paragraph .172)	(19,500)	•	(19,500)
Balance, December 31, 19X9 (paragraph .161(d))	<u>(85,100)</u>	× $\frac{220.9 \text{ (avg. 19X9)}}{243.5 \text{ (Dec. 19X9)}}$	<u>(77,202)</u>
Increase in current cost of property, plant, and equipment	<u>\$ 15,500</u>		<u>CS 4,818</u>

\*Assumed to be in average 19X9 dollars. [FAS33, ¶255]

.178 The *inflation component* of the increase in current cost amount is the difference between the nominal dollar and constant dollar measures. Using the numbers from paragraph .177, [it is computed as follows:]

	(000s)
Increase in current cost (nominal dollars)	\$15,500
Increase in current cost (constant dollars)	CS 4,818
Inflation component	<u>10,682</u>

[FAS33, ¶236]

### Summary of Increase in Current Cost Amounts

.179 Summarizing paragraphs .176 and .178 above:

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	(000s)		
	<u>Increase in Current Cost</u>	<u>Inflation Component</u>	<u>Increase Net of Inflation</u>
Inventory	\$ 9,108	8,277	CS 831
Property, plant, and equipment	<u>15,500</u>	<u>10,682</u>	<u>4,818</u>
Totals	<u>\$24,608</u>	<u>18,959</u>	<u>CS5,649</u>

[FAS33, ¶237]

**Check of Calculations**

.180 A reconciliation of shareholders' equity, with changes in the amounts of net assets on a historical cost/constant dollar basis and current cost/constant dollar basis, although not required by this section, acts as a check on the arithmetical accuracy of the calculations. [The reconciliation is presented in Exhibit 180A.]

C27.180

General Standards

## Exhibit 180A

## Changes in Shareholders' Equity during 19X9 in Average 19X9 Dollars

	(000s)			
	Source Paragraph	Historical Cost/ Average 19X9 Dollars	Source Paragraph	Current Cost/ Average 19X9 Dollars
Equity at January 1, 19X9				
Inventory	(.167)	CS 58,907	(.175)	CS 60,179
Property, plant, and equipment—net	(.181)	53,678	(.177)	76,884
Net monetary items	(.174)	(57,067)	(.174)	(57,067)
		<u>55,518</u>		<u>79,996</u>
Loss from continuing operations	(149A)	(2,514)	(149A)	(8,908)
Dividends	(.162)	(3,000)	(.162)	(3,000)
Gain from decline in purchasing power of net monetary liabilities	(.174)	7,729	(.174)	7,729
Excess of increase in specific prices over increase in the general price level			(.179)	5,649
		<u>CS 57,733</u>		<u>CS 81,466</u>
Equity at December 31, 19X9				
Inventory	(.166)	CS 58,523	(.175)	CS 59,602
Property, plant, and equipment—net	(171A)	54,548	(.177)	77,202
Net monetary items	(.174)	(55,338)	(.174)	(55,338)
		<u>CS 57,733</u>		<u>CS 81,466</u>

[FAS33, ¶238]

.181 Historical cost/constant dollar property, plant, and equipment at December 31, 19X8 in average 19X9 dollars [are as follows:]

<u>Date of Acquisition</u>	(000s)		
	<u>Historical Cost/ Constant Dollars*</u>	<u>Percent Depreciated</u>	<u>Accumulated Depreciation</u>
19X2	CS 82,983	70	CS58,088
19X3	7,478	60	4,487
19X4	6,852	50	3,426
19X5	6,478	40	2,591
19X6	6,085	30	1,826
19X7	5,652	20	1,130
19X8	10,776	10	1,078
Totals	<u>CS126,304</u>		<u>CS72,626</u>
Accumulated depreciation	<u>72,626</u>		
Net property, plant, and equipment at December 31, 19X8 carried to paragraph .180	<u>CS 53,678</u>		

\*Refer to Exhibit 171A. [FAS33, §239]

C27.182

## General Standards

.182 Restated amounts [are as follows:]

## Summary of Amounts Restated in Average 19X9 Dollars

	(000s)			
	Source Paragraph	Historical Cost/ Constant Dollars	Source Paragraph	Percent Lost/ Information
Cost of goods sold	(.167)	CS\$204,384	(.168)	CS\$205,408
Depreciation expense	(171A)	CS 14,130	(.172)	CS 19,500
Purchasing power gain on net monetary items	(.174)	CS 7,729	(.174)	CS 7,729
Increase in current cost of inventories			(.176)	CS 831
Increase in current cost amount of property, plant, and equipment			(.178)	CS 4,818
Inventory	(.166)	CS 58,523	(.175)	CS 59,602
Property, plant, and equipment—net	(171A)	CS 54,548	(.177)	CS 77,202

[FAS33, §240]

**Measurements for a Regulated Enterprise**

.183 [Paragraphs .183 and .184 discuss the measurement of expenses by regulated enterprises. It is assumed that] an enterprise has property, plant, and equipment measured at \$10,000 at historical cost in nominal dollars at the beginning of the year (and no other assets and no liabilities). It is permitted to set its prices at a level that will result in income, on a historical cost/nominal dollar basis, equal to 15 percent of net assets, that is, \$1,500. Assets were purchased at various past dates and have varying lives. Depreciation for the year and asset values at the beginning and end of the year are as follows:

	<u>Depreciation</u>	<u>Assets at Beginning of Year</u>	<u>Assets at End of Year</u>
Historical cost in nominal dollars	\$2,000	\$10,000	\$ 8,000
Historical cost in constant dollars	2,800	13,000	11,500
Current cost	4,000	18,000	16,700
Recoverable amount:	3,500	10,000	8,000

[FAS33, ¶175]

.184 It is assumed that recoverable amounts of assets are equal to historical costs in nominal dollars although that equality does not always hold because, for example, the allowed rate of return may be higher or lower than the appropriate discount rate. It is also assumed for simplicity that all sales are made and expenses incurred at the end of the year. The rate of inflation is 10 percent per year. Computations of income from continuing operations based on the alternative measures of expenses and of related changes in current cost amounts of assets would run as follows, in end-of-year dollars:

	Historical Cost in Nominal Dollars	Historical Cost in Constant Dollars	Current Cost
Sales revenues less expenses	\$3,500	\$3,500	\$3,500
Depreciation expense	(2,000)	(2,800)	(4,000)
Reduction of historical cost to lower recoverable amount		(200)	
Income from continuing operations	<u>\$1,500</u>	<u>\$ 500</u>	<u>\$ (500)</u>
Increase in current cost amounts, net of inflation			<u>\$1,000</u>

The increase in shareholders' equity, measured in constant dollars, is \$500 (assets at the end of the year \$11,500 = cash \$3,500 plus plant \$8,000—less assets at the beginning of the year \$10,000)  $\times$  110/100). The current cost computations divide this amount between income from continuing operations and the increase in current cost amounts of assets. [FAS33, ¶175]

### The Consumer Price Index

.185 The table in Exhibit 185A is the official Department of Labor Consumer Price Index—CPI(U), U.S. City Average, All Items (1967 = 100). This table includes monthly indexes and the average index for the year from 1913. Monthly updates to the table are published in the United States Department of Labor, Bureau of Labor Statistics, *News*. [FAS33, ¶241]

Exhibit 185A

Consumer Price Index  
All Urban Consumers—(CPI-U)  
U.S. City Average  
All Items  
(1967 = 100)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Avg.
1913	29.4	29.3	29.3	29.4	29.2	29.3	29.6	29.8	29.9	30.1	30.2	30.1	29.7
1914	30.1	29.8	29.7	29.4	29.6	29.8	30.1	30.5	30.6	30.4	30.5	30.4	30.1
1915	30.3	30.1	29.8	30.1	30.2	30.3	30.3	30.3	30.4	30.7	30.9	31.0	30.4
1916	31.3	31.3	31.6	31.9	32.0	32.4	32.4	32.8	33.4	33.8	34.4	34.6	32.7
1917	35.0	35.8	36.0	37.6	38.4	38.8	38.4	39.0	39.7	40.4	40.5	41.0	38.4
1918	41.8	42.2	42.0	42.5	43.3	44.1	45.2	46.0	47.1	47.9	48.7	49.4	45.1
1919	49.5	48.4	49.0	49.9	50.6	50.7	52.1	53.0	53.3	54.2	55.5	56.7	51.8
1920	57.8	58.5	59.1	60.8	61.8	62.7	62.3	60.7	60.0	59.7	59.3	58.0	60.0
1921	57.0	55.2	54.8	54.1	53.1	52.8	52.9	53.1	52.5	52.4	52.1	51.8	53.6
1922	50.7	50.6	50.0	50.0	50.0	50.1	50.2	49.7	49.8	50.1	50.3	50.5	50.2
1923	50.3	50.2	50.4	50.6	50.7	51.0	51.5	51.3	51.6	51.7	51.8	51.8	51.1
1924	51.7	51.5	51.2	51.0	51.0	51.0	51.1	51.0	51.2	51.4	51.6	51.7	51.2
1925	51.8	51.6	51.7	51.6	51.8	52.4	53.1	53.1	52.9	53.1	54.0	53.7	52.5
1926	53.7	53.5	53.2	53.7	53.4	53.0	52.5	52.2	52.5	52.7	52.9	52.9	53.0
1927	52.5	52.1	51.8	51.8	52.2	52.7	51.7	51.4	51.7	52.0	51.9	51.8	52.0
1928	51.7	51.2	51.2	51.3	51.6	51.2	51.2	51.3	51.7	51.6	51.5	51.3	51.3
1929	51.2	51.1	50.9	50.7	51.0	51.2	51.7	51.9	51.8	51.8	51.7	51.4	51.3
1930	51.2	51.0	50.7	51.0	50.7	50.4	49.7	49.4	49.7	49.4	49.0	48.3	50.0

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1931	47.6	46.9	46.6	46.3	45.8	45.3	45.2	45.1	44.9	44.6	44.1	43.7	45.6
1932	42.8	42.2	42.0	41.7	41.1	40.8	40.8	40.3	40.1	39.8	39.6	39.2	40.9
1933	38.6	38.0	37.7	37.6	37.7	38.1	39.2	39.6	39.6	39.6	39.6	39.4	38.8
1934	39.6	39.9	39.9	39.8	39.9	40.0	40.0	40.1	40.7	40.4	40.3	40.2	40.1
1935	40.8	41.1	41.0	41.4	41.2	41.1	40.9	40.9	41.1	41.1	41.3	41.4	41.1
1936	41.4	41.2	41.0	41.0	41.0	41.4	41.6	41.9	42.0	41.9	41.9	41.9	41.5
1937	42.2	42.3	42.6	42.8	43.0	43.1	43.3	43.4	43.8	43.6	43.3	43.2	43.0
1938	42.6	42.2	42.2	42.4	42.2	42.2	42.3	42.2	42.2	42.0	41.9	42.0	42.2
1939	41.8	41.6	41.5	41.4	41.4	41.4	41.4	41.4	42.2	42.0	42.0	41.8	41.6
1940	41.7	42.0	41.9	41.9	42.0	42.1	42.0	41.9	42.0	42.0	42.0	42.2	42.0
1941	42.2	42.2	42.4	42.8	43.1	43.9	44.1	44.5	45.3	45.8	46.2	46.3	44.1
1942	46.9	47.3	47.9	48.2	48.7	48.8	49.0	49.3	49.4	49.9	50.2	50.6	48.8
1943	50.6	50.7	51.5	52.1	52.5	52.4	52.0	51.8	52.0	52.2	52.1	52.2	51.8
1944	52.1	52.0	52.0	52.3	52.5	52.6	52.9	53.1	53.1	53.1	53.1	53.3	52.7
1945	53.3	53.2	53.2	53.3	53.7	54.2	54.3	54.3	54.1	54.1	54.3	54.5	53.9
1946	54.5	54.3	54.7	55.0	55.3	55.9	59.2	60.5	61.2	62.4	63.9	64.4	58.5
1947	64.4	64.3	65.7	65.7	65.5	66.0	66.6	67.3	68.9	68.9	69.3	70.2	66.9
1948	71.0	70.4	70.2	71.2	71.7	72.2	73.1	73.4	73.4	73.1	72.6	72.1	72.1
1949	72.0	71.2	71.4	71.5	71.4	71.5	71.0	71.2	71.5	71.1	71.2	70.8	71.4
1950	70.5	70.3	70.6	70.7	71.0	71.4	72.1	72.7	73.2	73.6	73.9	74.9	72.1
1951	76.1	77.0	77.3	77.4	77.7	77.6	77.7	77.7	78.2	78.6	79.0	79.3	77.8
1952	79.3	78.8	78.8	79.1	79.2	79.4	80.0	80.1	80.0	80.1	80.1	80.0	79.5
1953	79.8	79.4	79.6	79.7	79.9	80.2	80.4	80.6	80.7	80.9	80.6	80.5	80.1
1954	80.7	80.6	80.5	80.3	80.6	80.7	80.7	80.6	80.4	80.2	80.3	80.1	80.5
1955	80.1	80.1	80.1	80.1	80.1	80.1	80.4	80.2	80.5	80.5	80.6	80.4	80.2

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General Standards

Source: U.S. Department of Labor, Room 1539, Bureau of Labor Statistics, Washington, D.C. 20212. The CPI Detailed Report may be ordered from the Superintendent of Documents U.S. Government Printing Office, Washington, D.C. 20402. The Library of Congress; Catalog number is 74-647019.

*Changing Prices: Reporting Their  
Effects in Financial Reports*

Exhibit 185A (continued)

Consumer Price Index  
All Urban Consumers—(CPI-U)  
U.S. City Average  
All Items  
(1967 = 100)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Avg.
1956	80.3	80.3	80.4	80.5	80.9	81.4	82.0	81.9	82.0	82.5	82.5	82.7	81.4
1957	82.8	83.1	83.3	83.6	83.8	84.3	84.7	84.8	84.9	84.9	85.2	85.2	84.3
1958	85.7	85.8	86.4	86.6	86.6	86.7	86.8	86.7	86.7	86.7	86.8	86.7	86.6
1959	86.8	86.7	86.7	86.8	86.9	87.3	87.5	87.4	87.7	88.0	88.0	88.0	87.3
1960	87.9	88.0	88.0	88.5	88.5	88.7	88.7	88.7	88.8	89.2	89.3	89.3	88.7
1961	89.3	89.3	89.3	89.3	89.3	89.4	89.8	89.7	89.9	89.9	89.9	89.9	89.6
1962	89.9	90.1	90.3	90.5	90.5	90.5	90.7	90.7	91.2	91.1	91.1	91.0	90.6
1963	91.1	91.2	91.3	91.3	91.3	91.7	92.1	92.1	92.1	92.2	92.3	92.5	91.7
1964	92.6	92.5	92.6	92.7	92.7	92.9	93.1	93.0	93.2	93.3	93.5	93.6	92.9
1965	93.6	93.6	93.7	94.0	94.2	94.7	94.8	94.6	94.8	94.9	95.1	95.4	94.5
1966	95.4	96.0	96.3	96.7	96.8	97.1	97.4	97.9	98.1	98.5	98.5	98.6	97.2
1967	98.6	98.7	98.9	99.1	99.4	99.7	100.2	100.5	100.7	101.0	101.3	101.6	100.0
1968	102.0	102.3	102.8	103.1	103.4	104.0	104.5	104.8	105.1	105.7	106.1	106.4	104.2
1969	106.7	107.1	108.0	108.7	109.0	109.7	110.2	110.7	111.2	111.6	112.2	112.9	109.8
1970	113.3	113.9	114.5	115.2	115.7	116.3	116.7	116.9	117.5	118.1	118.5	119.1	116.3

	J	F	M	A	May	June	July	Aug	Sept	Oct	Nov	Dec	
1971	119.2	119.4	119.8	120.2	120.8	121.5	121.8	122.1	122.2	122.4	122.6	123.1	121.3
1972	123.2	123.8	124.0	124.3	124.7	125.0	125.5	125.7	126.2	126.6	126.9	127.3	125.3
1973	127.7	128.6	129.8	130.7	131.5	132.4	132.7	135.1	135.5	136.6	137.6	138.5	133.1
1974	139.7	141.5	143.1	143.9	145.5	146.9	148.0	149.9	151.7	153.0	154.3	155.4	147.7
1975	156.1	157.2	157.8	158.6	159.3	160.6	162.3	162.8	163.6	164.6	165.6	166.3	161.2
1976	166.7	167.1	167.5	168.2	169.2	170.1	171.1	171.9	172.6	173.3	173.8	174.3	170.5
1977	175.3	177.1	178.2	179.6	180.6	181.8	182.6	183.3	184.0	184.5	185.4	186.1	181.5
1978	187.2	188.4	189.8	191.5	193.3	195.3	196.7	197.8	199.3	200.9	202.0	202.9	195.4
1979	204.7	207.1	209.1	211.5	214.1	216.6	218.9	221.1	[223.4]	[225.4]	[227.5]	[229.9]	[217.4]
1980	[233.2]	[236.4]	[239.8]	[242.5]	[244.9]	[247.6]	[247.8]	[249.4]	[251.7]	[253.9]	[256.2]	[258.4]	[246.8]
1981	[260.5]	[263.2]	[265.1]	[266.8]	[269.0]	[271.3]	[274.4]	[276.5]	[279.3]	[279.9]	[280.7]	[281.5]	[272.4]
1982	[282.5]	[283.4]	[283.1]	284.3	287.1	290.6	292.2	292.8	293.3	294.1			

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General Standards

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[FAS33, 141]  
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Source: U.S. Department of Labor, Room 1539, Bureau of Labor Statistics, Washington, D.C. 20212. The CPI Detailed Report may be ordered from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. The Library of Congress Catalog number is 74-647019.

**Glossary**

**.401 Constant dollar accounting.** A method of reporting financial statement elements in dollars, each of which has the same (that is, constant) general purchasing power. This method of accounting is often described as accounting in units of general purchasing power or as accounting in units of current purchasing power. [FAS33, ¶22]

**.402 Current cost accounting.** A method of measuring and reporting assets and expenses associated with the use or sale of assets at their current cost or lower recoverable amount at the balance sheet date or at the date of use or sale. [FAS33, ¶22]

**.403 Current cost/constant dollar accounting.** A method of accounting based on measures of current cost or lower recoverable amount in terms of dollars, each of which has the same general purchasing power. [FAS33, ¶22]

**.404 Current cost/nominal dollar accounting.** A method of accounting based on measures of current cost or lower recoverable amount without restatement into units, each of which has the same general purchasing power. [FAS33, ¶22]

**.405 Historical cost/constant dollar accounting.** A method of accounting based on measures of historical prices in dollars, each of which has the same general purchasing power. [FAS33, ¶22]

**.406 Historical cost/nominal dollar accounting.** The generally accepted method of accounting, used in the primary financial statements, based on measures of historical prices in dollars without restatement into units, each of which has the same general purchasing power. [FAS33, ¶22]

**.407 Income from continuing operations.** Income after applicable income taxes but excluding the results of discontinued operations, extraordinary items, and the cumulative effect of accounting changes. [FAS33, ¶22]

**.408 Income-producing real estate.** Properties that meet all of the following criteria:

- a. Cash flows can be directly associated with a long-term leasing agreement with unaffiliated parties.
  - b. The property is being operated. (It is not in a construction phase.)
  - c. Future cash flows from the property are reasonably estimable.
  - d. Ancillary services are not a significant part of the lease agreement.
- [FAS41, ¶6]

Hotels, which have occupancy rates and related cash flows that may fluctuate to a relatively large extent, do not meet the criteria for income-producing real estate. [FAS41, ¶24]

.409 **Mineral resource assets.** Assets that are directly associated with and derive value from all minerals that are extracted from the earth. Such minerals include oil and gas, ores containing ferrous and nonferrous metals, coal, shale, geothermal steam, sulphur, salt, stone, phosphate, sand, and gravel. Mineral resource assets include mineral interests in properties, completed and uncompleted wells, and related equipment and facilities and other facilities required for purposes of extraction (refer to Section O15, paragraph .103). This definition does not cover support equipment because that equipment is included in property, plant, and equipment. [FAS39, ¶5]

.410 **Monetary asset.** Money or a claim to receive a sum of money the amount of which is fixed or determinable without reference to future prices of specific goods or services. [FAS33, ¶47]

.411 **Monetary liability.** An obligation to pay a sum of money the amount of which is fixed or determinable without reference to future prices of specific goods and services. [FAS33, ¶47]

.412 **Motion picture films.** All types of films and videotapes and disks, including features, television specials, series, and cartoons that are:

- a. Exhibited in theaters or
- b. Licensed for exhibition by individual television stations, groups of stations, networks, cable television systems, or other means or
- c. Licensed for commercial reproduction (for example, for the home viewing market) [FAS46, ¶7]

.413 **Net assets (shareholders' equity).** If an enterprise presents the minimum information required it shall measure net assets (that is, shareholders' equity) for the purposes of the five-year summary:

- a. On historical cost/constant dollar basis at the amount reported in its primary financial statements adjusted for the difference between the historical cost/nominal dollar amounts of inventory and property, plant, and equipment
- b. On a current cost basis at the amount reported in its primary financial statements, adjusted for the difference between the historical cost/nominal dollar amounts and the current cost or lower recoverable amounts of inventory and property, plant, and equipment and restated in constant dollars in accordance with paragraph .146.

If an enterprise elects to present comprehensive supplementary financial statements on a current cost/constant dollar basis, or on a historical cost/constant dollar basis, it may report the amount of net assets in the five-year summary in accordance with the comprehensive statements. [FAS33, ¶66]

.414 **Net realizable value.** The amount of cash, or its equivalent, expected to be derived from sale of an asset net of costs required to be incurred as a result of the sale. It shall be considered as a measurement of an asset only when the asset concerned is about to be sold. [FAS33, ¶63]

.415 **Probable mineral reserves in extractive industries other than oil and gas.** The estimated quantities of commercially recoverable reserves that are less well-defined than proved reserves and that may be estimated or indicated to exist on the basis of geological, geophysical, and engineering data. [FAS39, ¶5]

.416 **Proved mineral reserves in extractive industries other than oil and gas.**<sup>401</sup> The estimated quantities of commercially recoverable reserves that, on the basis of geological, geophysical, and engineering data, can be demonstrated with a reasonably high degree of certainty to be recoverable in the future from known mineral deposits by either primary or improved recovery methods. [FAS39, ¶5]

.417 **Public enterprise.** A business enterprise (a) whose debt or equity securities are traded in a public market on a domestic stock exchange or in the domestic over-the-counter market (including securities quoted only locally or regionally) or (b) that is required to file financial statements with the Securities and Exchange Commission. An enterprise is considered to be a public enterprise as soon as its financial statements are issued in preparation for the sale of any class of securities in a domestic market. [FAS33, ¶22]

.418 **Recoverable amount.** Current worth of the net amount of cash expected to be recoverable from the use or sale of an asset. [FAS33, ¶62]

.419 **Unprocessed natural resources.** Mineral resource assets, timberlands, and growing timber. [FAS39, ¶5]

.420 **Value in use.** The net present value of future cash flows (including the ultimate proceeds of disposal) expected to be derived from the use of an asset by the enterprise. It shall be considered as a measurement of an asset only when immediate sale of the asset concerned is not intended. Value in use shall be estimated by discounting expected future cash flows at an appropriate discount rate that allows for the risk of the activities concerned. [FAS33, ¶63]

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<sup>401</sup>The various classes of oil and gas reserves are defined in Section 015. [FAS39, ¶5, fn1]

**Supplemental Guidance**

**Applicability to Certain Brokers and Dealers in Securities**

.501 *Question*—Should closely held broker-dealers in securities that file financial statements with the Securities and Exchange Commission (SEC) be considered nonpublic enterprises for purposes of applying this section? [FTB79-8, ¶1]

.502 *Background*—This section states that an enterprise that is required to file financial statements with the SEC is a public enterprise. [FTB79-8, ¶4]

.503 All security broker and dealers registered with the SEC must file complete sets of financial statements with the SEC for use by the SEC's Division of Market Regulation for regulatory purposes, whether they are closely held or publicly held. Although the statement of financial condition filed by a broker-dealer may be available for public inspection, the income statement and statement of changes in financial position may be treated as confidential if so requested by the broker-dealer. A publicly held broker-dealer that is subject to Sections 12 and 13 of the Securities Exchange Act of 1934 must, in addition, file a complete set of financial statements and various forms with the SEC in the same manner as is required of other publicly held enterprises subject to those sections of the 1934 Act. [FTB79-8, ¶5]

.504 *Response*—The fact that financial statements are required to be filed for broker-dealer regulatory purposes with the SEC does not make an otherwise nonpublic enterprise public for purposes of this section. Thus, the definition of a public enterprise excludes closely held broker-dealers that are required to file financial statements with the SEC only for use by its Division of Market Regulation, principally because the broker-dealer can cause a significant portion of those financial statements (that is, the income statement and statement of changes in financial position) to be unavailable for public inspection by requesting confidential treatment. [FTB79-8, ¶5]

**C27.505***General Standards***Classification as Monetary or Nonmonetary Items**

.505 For purposes of determining a purchasing power gain or loss on net monetary items, the following items that are not listed in paragraph .154 should be classified as follows:

	<u>Monetary</u>	<u>Nonmonetary</u>
Trading account investments in fixed-income securities owned by banks, investment brokers, and others		X
The unguaranteed residual value of property owned by a lessor and leased under direct financing, sales-type, and leveraged leases	Refer to discussion.	
Commodity inventories whose values are hedged by futures contracts whose contract amounts have not been recorded in the financial statements	Refer to discussion.	
Portion of the carrying amount of lessors' assets leased under noncancelable operating leases that represent claims to fixed sums of money		X
Vested pension benefits in excess of fund assets or other accrued pension obligations, recorded in a business combination accounted for by the purchase method		X
Investment tax credits that are deferred by a lessor as part of the unearned income of a leveraged lease	Refer to discussion.	
Minority interests in consolidated subsidiaries		X
Capital stock of the enterprise or of its consolidated subsidiaries subject to mandatory redemption at fixed amounts		X

[FTB 81-4, ¶4]

.506 *Trading account investments in fixed-income securities owned by banks, investment brokers, and others.* Trading account securities are "securities of all types carried . . . in a dealer trading account (or accounts) that are held principally for resale to customers."<sup>501</sup> The predominant practice by banks is to carry these securities at the lower of cost or market, although a substantial minority carry them at market value. Trading account investments include both fixed-income securities (for example, nonconvertible preferred stock, convertible bonds, and other bonds) and other securities (for example, common stock). Usually, trading account securities are held for extremely short periods of time—sometimes for only a few hours. Frequently, the enterprise buys and sells the securities expecting to make a profit on the difference between dealer and retail, or bid and asked prices, rather than on the price changes during the period securities are held. However, the prices of the securities change with market forces. [FTB81-4, ¶5]

.507 Trading account investments in fixed-income securities are not "claims to receive a sum of money . . . which is fixed or determinable" (refer to paragraph .125). The market prices of the securities might and frequently do change while the securities are held. Paragraph .151 indicates that, generally, nonconvertible and nonparticipating preferred stock, convertible bonds that the market values primarily as bonds rather than as stocks, and nonconvertible bonds should be classified as monetary items. However, those classifications were based, in part, on the assumption that those securities would be held for long periods, if not to maturity. Trading account investments, on the other hand, are held for shorter periods and so their value depends much less heavily on the general purchasing power of money and depends more on the specific values of the securities. Therefore, trading account investments in fixed-income securities should be classified as nonmonetary. [FTB81-4, ¶6]

.508 *The unguaranteed residual value of property owned by a lessor and leased under direct financing, sales-type, and leveraged leases.* The unguaranteed residual value is included with the minimum lease payments, at present value, in the net investment in the lease. [FTB81-4, ¶7]

.509 The minimum lease payments are monetary items because they are claims to fixed sums of money. The residual value is not a claim to a fixed sum of money, so it is a nonmonetary item. Some assets and liabilities, of which the net investment in the lease is a good example, are combinations of claims to (or obligations of) fixed amounts and claims to (or obligations of) variable amounts. Ideally, those claims should be separated for purposes of classifying them as monetary and nonmonetary. However, if the information necessary to make the separation is not available or is impracticable to obtain, such items need not be divided into monetary and nonmonetary components and would be classified according to their

<sup>501</sup>Office of the Federal Register, *Code of Federal Regulations*, vol. 12 (Washington, D.C.: U.S. Government Printing Office, 1980), p. 217. [FTB81-4, ¶5, fn1]

dominant element. If the net investment in leases is principally claims to fixed amounts, it would be classified as monetary; it would be classified as nonmonetary if it is principally claims to residuals. [FTB81-4, ¶8]

*.510 Commodity inventories whose values are hedged by futures contracts whose contract amounts have not been recorded in the financial statements.* Many enterprises hedge commodity inventories (such as grain or metals). *Selling hedges* are designed to provide a degree of assurance that a decline in the price of the commodity would be offset by an increase in the value of the hedge contract. Selling hedges thus help protect the value of the inventory that is hedged. [FTB81-4, ¶9]

*.511* There are certain similarities between inventories that are hedged and inventories that are used on or committed to a contract. In each case, the risk of gain or loss due to price changes before the inventory is sold is largely or entirely eliminated. Paragraph .120 states that "inventories may need to be reclassified as monetary assets at the date of the use on or commitment to a contract. . . ." To the extent that hedges fix the value of an inventory in dollars, the inventory effectively becomes a monetary item. However, in some cases, hedging positions may not be identifiable with specific inventory positions. In those cases, the inventory should be classified as nonmonetary. [FTB81-4, ¶10]

*.512* Some inventory may be hedged and other inventory not hedged. As discussed in paragraph .509, in those cases the ideal solution would be to separately classify the hedged and nonhedged portions. However, if the information is not available or is impracticable to obtain, the enterprise would classify the entire inventory according to its dominant element as either monetary or nonmonetary. [FTB81-4, ¶11]

*.513 Portion of the carrying amount of lessors' assets leased under noncancelable operating leases that represent claims to fixed sums of money.* These assets are carried at depreciated historical cost under generally accepted accounting principles and are classified with or near property, plant, and equipment. Paragraph .151 indicates that property, plant, and equipment are nonmonetary. [FTB81-4, ¶12]

*.514* The classification of a lease as an operating lease under Section L10, "Leases," indicates that the lease has not transferred substantially all of the benefits and risks incident to ownership to the lessee. Thus, the economic significance of the asset continues to depend heavily on the value of the future lease rentals, residual values, and associated costs. Therefore, an asset subject to an operating lease should be classified as nonmonetary. [FTB81-4, ¶13]

*.515 Vested pension benefits in excess of fund assets or other accrued pension obligations, recorded in a business combination accounted for by the purchase method.* Paragraph .151 indicates that fixed amounts of accrued pension obligations that are payable to a fund are monetary; all other accrued pension

obligations are nonmonetary. Other liabilities mentioned in paragraph .151 are monetary, except those to be satisfied by providing goods and services (for example, obligations under warranties) and accrued vacation pay if it is to be paid at wage rates as of the vacation dates and if those rates may vary from rates in effect at the balance sheet date. [FTB81-4, ¶14]

.516 Under Section B50, "Business Combinations," vested pension benefits in excess of fund assets sometimes are recorded as liabilities on the occurrence of business combinations treated as purchases. The amounts may be similar to accrued vacation pay that is to be paid at rates in effect as of the vacation dates—the pension benefits to be paid also may depend on future salary and wage rates, dates of retirement, and future changes in pension plan benefits. Therefore, vested pension benefits in excess of fund assets should be classified as nonmonetary items. [FTB81-4, ¶15]

.517 *Investment tax credits that are deferred by a lessor as part of the unearned income of a leveraged lease.* Under Section L10, the deferred investment tax credit related to the leased asset is subtracted from rentals receivable and estimated residual value as part of the calculation of the lessor's investment in the leveraged lease. The investment, including the deferred investment tax credit related to the leveraged lease, is presented as one amount in the balance sheet. As indicated in paragraph .509, the investment in a leveraged lease would be classified as monetary or nonmonetary according to its dominant element. [FTB81-4, ¶16]

.518 As indicated in paragraph .151, a deferred investment tax credit should be classified as nonmonetary but, if it is part of an investment in a leveraged lease and if the information necessary to separate its elements is not available or is impracticable to obtain, the investment would be classified according to its dominant element. [FTB81-4, ¶17]

.519 *Minority interests in consolidated subsidiaries.* The interests of minority shareholders in the earnings and equity of subsidiaries are, from the consolidated entity's point of view, claims that are not fixed. Rather, they are residuals that will vary based on the subsidiary's earnings, dividends, and other transactions affecting its equity and so are nonmonetary. (Refer to paragraph .520 as to classification of capital stock of the enterprise or of its consolidated subsidiaries subject to mandatory redemption at fixed amounts.) [FTB81-4, ¶18]

.520 *Capital stock of the enterprise or of its consolidated subsidiaries subject to mandatory redemption at fixed amounts.* Such securities are claims of the stockholders to a fixed number of dollars and therefore are monetary. Classification as a monetary item called for in this section is only for purposes of determining a purchasing power gain or loss. This section does not address how such securities should be classified in balance sheets or the accounting for dividends on those securities. [FTB81-4, ¶19]

(The next page is 6985.)

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REMARKS BY REPRESENTATIVE RICK UEHLING ON BEHALF OF SSB 165

Thank you, Mr. Chairman, members of the committee. I am here to today to ask that you favorably consider House Bill 165, which would effect various changes in the current law regarding the Public Offices Commission.

The current law specifies seven individual campaign reports: 30 days prior to each election, 7 days prior to each election, 10 days after each election, and at year end. Additionally, during the seven days immediately preceding the primary and general elections, each candidate is responsible for reporting to the APOC, within 24 hours, all contributions or expenditures in excess of \$250. As former candidates yourselves, you probably recognize the tremendous burden which these laws place on anyone seeking public office. I maintain that many of these regulations are largely unnecessary, even wasteful and counter-productive.

With your permission, Mr. Chairman, I would like to continue by briefly describing the intent behind my bill. Simply stated, HB 165 is intended to free the political candidate from some of the red-tape required to seek office. I recognize that we as public servants have a genuine responsibility to keep our campaign finances within the public domain and that reports to the APOC are an effective means to that end. What's more, I truly believe that most candidates feel just as I do. The problem arises only when the number and frequency of such reports become overwhelming, often times preventing adequate performance of more important political functions--debating the issues, presenting positions to the public.

SSB 165 goes a long way toward eliminating many of these unnecessary restraints. The bill changes the present \$100 threshold for public disclosure of contributors to \$250; it raises the ceiling for cash transactions from \$100 to \$250; the bill allows a deputy campaign treasurer to complete required APOC report forms; and most importantly, HB 165 eliminates the requirement of a report 7 days before an election, and loosens highly restrictive reporting requirements on contributions and expenditures made during the week before an election.

Let me explain the rationale behind these main points.

I propose changing the threshold for public disclosure of contributors for two reasons. First, raising the threshold will reduce the bookkeeping requirements for candidates substantially; contributions for under \$250 will be recorded by amount and date only. This will significantly reduce the length and complexity of reports, without adversely affecting the essential qualities of the report. Second, the arbitrary \$100 figure was set nearly ten years ago; you don't have to be an economist to realize that \$100 in 1974 is about \$261 today. The changes I propose up-date the statutes to reflect the intent of the original law--that is, to record detailed information on all large contributors.

I also propose raising the ceiling for cash contributions. Arguments

similar to the ones previously mentioned also apply in this case.

You will also note that SSHB 165 extends to the deputy campaign treasurer the authority to complete APCC reports. The purpose and desirability of this provision should be obvious to anyone who has been responsible for completing campaign reports. Allowing the designated deputy campaign treasurer to officially perform the reporting function is a viable method of establishing accountability.

My final proposal in SSHB 165 is to 1. eliminate the APOC report due seven days before each election and 2. dramatically reduce the report requirements on campaign contributions and expenditures during the week immediately before each election. I propose both changes for basically the same reasons: the report requirements are an almost unbearable burden on some campaigns, especially those in which the candidate himself serves the function of campaign treasurer. Anyone who has run for office knows that the week just prior to election is the busiest and most hectic of all. Any reduction in report obligations would be welcome relief from the helter-skelter pace which we have all experienced.

That summarizes the main points of HB 165. Now I want to explain what my bill is not intended to do. This bill does not eliminate relevant campaign reporting responsibility; it merely reduces the number and frequency of reports. The same material is still legally required to be reported. SSHB 165 is not intended to allow the buying or selling of elections; there are no hidden agenda. This bill is only intended to loosen the bureaucratic paperwork.

Thank you, Mr. Chairman. I appreciate your allowing me to testify today. I would be pleased to take your questions at this time.

to, one candidate 50 per cent or more of its funds, the name of the candidate shall be a part of the name of the group. Promptly upon receiving the registration, the commission shall notify the candidate of the group's organization and intent. (§ 1 ch 76 SLA 1974; am § 15 ch 189 SLA 1975)

**Sec. 15.13.060. Campaign treasurers.** (a) Each candidate and group shall appoint a campaign treasurer who is responsible for receiving, holding, and disbursing all contributions and expenditures, and for filing all reports and statements required by law. A candidate may be a campaign treasurer.

(b) Each group shall file the name and address of its campaign treasurer with the commission at the time it registers with the commission under AS 15.13.050.

(c) Each candidate for state office shall file the name and address of the campaign treasurer with the commission, or submit, in writing, the name and address of the campaign treasurer to the director for filing with the commission, no later than 15 days after the date of filing the declaration of candidacy or the nominating petition. Each candidate for municipal office shall file the name and address of the campaign treasurer with the commission no later than seven days after the date of filing the declaration of candidacy or the nominating petition. If the candidate does not designate a campaign treasurer, the candidate is the campaign treasurer.

(d) In the case of the death, resignation or removal of a campaign treasurer, the candidate shall appoint a successor as soon as practicable and file his name and address with the commission within 48 hours of the appointment. The candidate is disqualified when he has been found to have been in wilful violation of this subsection.

(e) A campaign treasurer may appoint as many deputy campaign treasurers as he considers necessary. The candidate shall file the names and addresses of the deputy campaign treasurers with the commission.

(f) The candidate is responsible for the performance of his campaign treasurer, and any default or violation by the treasurer also shall be considered a default or violation by the candidate if he knew or had reason to know of the default or violation. (§ 1 ch 76 SLA 1974; am §§ 16 — 19 ch 189 SLA 1975; am § 1 ch 133 SLA 1977; am § 35 ch 59 SLA 1982)

**Effect of amendments.** — The 1977 amendment rewrote subsection (c).

The 1982 amendment, effective May 28, 1982, substituted "director" for "lieutenant governor" in the first sentence of subsection (c).

**Editor's notes.** — This section was redrafted by the revisor of statutes to remove personal pronouns in conformity with AS 01.05.031(c) and § 4, Chapter 58, SLA 1982.

to a candidate with a value of more than \$250 to influence the election of a candidate shall furnish the commission a signed statement, on a form made available by the commission. The statement shall itemize the contributions and goods and state that the contributor is not a person or group prohibited by law from contributing and that the contribution consists of funds or property belonging to the contributor and has not been given or furnished by another person or group. The contributor's statement shall be filed with the commission by the contributor no later than 10 days after the contribution is made. A copy of the statement shall be furnished the candidate, campaign treasurer, or deputy campaign treasurer at the time the contribution is made. (§ 1 ch 76 SLA 1974; am § 29 ch 189 SLA 1975)

**Sec. 15.13.090. Identification of communication.** All advertisements, billboards, handbills, paid-for television and radio announcements and other communications intended to influence the election of a candidate or outcome of a ballot proposition or question shall be clearly identified by the words "paid for by" followed by the name and address of the candidate, group or individual paying for the advertising. In addition, candidates and groups must identify the name of their campaign chairman. (§ 1 ch 76 SLA 1974; am § 22 ch 189 SLA 1975; am § 36 ch 100 SLA 1980)

**Effect of amendments.** — The 1980 amendment substituted "chairman" for "treasurer" at the end of the section. construction of state statute prohibiting anonymous political advertising. 4 ALR4th 741.

**Collateral references.** — Validity and

**Sec. 15.13.100. Expenditures before filing.** No political campaign expenditure may be made or incurred by a person in an election or by a person or group with his knowledge and on his behalf before the date upon which he or she files for nomination for the office which the person seeks, except for personal travel expenses or for opinion surveys or polls. These expenditures shall be charged against the spending limitation that applies to the office for which he subsequently files, and shall be included in the first report required under this chapter after filing for office. (§ 1 ch 76 SLA 1974; am § 23 ch 189 SLA 1975)

**Editor's notes.** — For discussion notes and notes from the opinion of the attorney general dated May 13, 1973 relating to the enforcement of the expenditure limits of this chapter, see the editor's following AS 15.13.070.

**Sec. 15.13.110. Filing of reports.** (a) Each candidate and group shall make a full report in accordance with AS 15.13.040 during the period ending three days before the due date of the report and beginning on the last day covered by the most recent previous report, or, if a first report, all contributions received and expenditures made before three days before the due date of the report. The report shall be filed at the following times:

HP 165

(1) 30 days before the election; however, this report is not required if the deadline for filing a nominating petition or declaration of candidacy is within 30 days of the election;

(2) one week before the election;

(3) ten days after the election; and

(4) December 31 of each year for expenditures and contributions received which were not reported that year.

(b) Each contribution or expenditure which exceeds \$250 and which is made within one week of the election shall be reported to the commission by date, amount, and contributor or recipient within 24 hours of receipt or expenditure by the candidate or campaign treasurer.

(c) The reports of candidates shall be filed with the commission's central office. All reports required by this chapter shall be kept open to public inspection. Within 30 days after each election, the commission shall prepare a summary of each report which shall be made available to the public at cost upon request. Each summary shall use uniform categories of reporting.

(d) Within 30 days after each election, each supplier shall make a full report to the commission in accordance with AS 15.13.040. Within 60 days after each election, the commission shall prepare a summary by candidate or group of the transactions and make the summaries public.

(e) A group formed to sponsor an initiative, a referendum or a recall shall report 30 days after its first filing with the lieutenant governor. Thereafter each group shall report within 10 days after the end of each calendar quarter on the contributions received and expenditures made during the preceding calendar quarter until reports are due under (a) of this section. (§ 1 ch 76 SLA 1974; am § 24 ch 189 SLA 1975; am § 2 ch 133 SLA 1977)

Effect of amendments. — The 1977 amendment added subsection (e). affected by the amendment, it is not set out.

As the rest of the section was not

NOTES TO DECISIONS

Stated in State, Pub. Officer Comm'n v. Marshal, Sup. Ct. Op. No. 2406 (File No. 5614), 633 P.2d 227 (1981).

Sec. 15.13.120. Penalty; limitations on actions. (a) A person who violates a provision of this chapter is guilty of a misdemeanor and, upon conviction, is punishable by imprisonment for not more than one year or by a fine of not more than \$5,000. A violation includes but is not limited to any of the following acts or omissions:

(1) failing to make a statement or report required to be made under this chapter, or failing to make a statement or report at the time the statement or report is required to be made under this chapter;

(2) making the limitation

(3) making

(4) giving purpose of ma fictitious nam of AS 15.13.0

(5) making without ident

(6) knowing

(h) Repeale

(c) Promptl the commissio filing them, i accordance wi delinquents fo the attorney g campaign trea chapter.

(d) A person may file a cor mines there occurred, it sh include an inv plainant if he judgment of th nity for a hear acts or practic provision of th shall promptly appropriate ac recommendati mission within require additi of the commiss

(e) Prosecut commenced aft violation.

(f) If, after candidate or th a person who v this chapter, p accordance wit

(1) art. II, s candidate for t

Section 1 amending AS 15.13.040(a) is consistent with the APOC's 1982 recommendations regarding the threshold at which a contributor's name is on a report. Expenditure reporting offers at least as much ground for amendments to lighten the reporting burden and will be explored further.

Section 2 of SSHB 165 should be replaced with language such as that which follows. This would still accomplish the same end with regard to reporting contributors, but would also make the language concerning groups parallel the language concerning candidates.

Section \_\_\_\_ AS 15.13.040(b) is repealed and reenacted to read:

(b) Each group shall make a full report, upon a form prescribed by the commission, listing the date and amount of all expenditures made or obligations incurred by the group, the total amount of all contributions, and for each contribution in excess of \$250 in the aggregate a year, the name, address, principal occupation, and employer of the contributor and the date and amount contributed.

Section 3 of SSHB 165 is fine; the following allows certification by the chairperson as well.

Section \_\_\_\_ AS 15.13.040(c) is amended to read:

(c) The report required under (b) of this section shall be filed in accordance with AS 15.13.110 and shall be certified as correct by the group's chairperson, campaign treasurer, or deputy campaign treasurer.

Section 4 of SSHB 165 is consistent with current practice. AS 15.13.040(d) is frequently the source of confusion because the words group and expenditure are used differently than elsewhere. The following language would not expand on the current law, but it would be clearer.

Section \_\_\_\_\_ AS 15.13.040(d) is amended to read:

(d) Every individual or [,] person, and every [OR] group that is not required to register in accordance with AS 15.13.050, shall make a full report, upon a form prescribed by the commission, of the following contributions or expenditures: (1) any contribution of cash, goods or services valued at more than \$250 [\$100] a year to any group or candidate; or (2) any independent expenditure [WHATSOEVER] for advertising in newspapers, on radio or on television[;] or[, ] for the publication, distribution or circulation of brochures, flyers or other campaign material for or against any candidate, [OR] ballot proposition or question.

Section \_\_\_\_\_ AS 15.13.040 is amended by adding a new subsection to read:

(g) As used in this section, an "independent expenditure is a disbursement of funds supporting or opposing the election of a candidate or the passage of a ballot proposition or question, not made with the cooperation, consent, or at the request of a candidate, a campaign committee or controlled group of a candidate, or a group which is supporting or opposing the candidate or ballot proposition or question for which the funds are disbursed.

Section <sup>5</sup>~~A~~ of SSHB 165 is a logical extension of earlier amendments allowing deputy treasurers to certify reports but it does nothing to improve the poor quality of the existing language of AS 15.13.060(f).

The following is a first draft of language which could go somewhere in .060:

It is presumed that the candidate, or in the case of <sup>a</sup> group the chairperson and campaign treasurer, had knowledge of and approved the reports required to be filed under this chapter.

Sections 6 and 7 are logical extensions of the change in thresholds. Both are enforcement problems for which optimum solutions have not been worked out.

In Section 8 of SSHB 165, replacing the words "one week" with the words "nine days" has been discussed (see the next page for illustration) and the words "or recipient" should be deleted.

Section 9 as worded does such critical damage to the underlying intent of the Campaign Disclosure Law that it could result in no successful amendments; proposals to change the reporting of expenditures would be a more productive area of consideration.

Section 10, an immediate effective date, is quite feasible in a municipal election year so long as final passage does not approach the end of the fiscal year.

# AUGUST 1982

sunday

monday

tuesday

wednesday

thursday

friday

saturday

1	2	3	4	5	6	7
8	9	10	11	12	13	14 LAST DAY IN 7 DAY REPORT
15 1ST DAY IN 10 DAY REPORT	16 GAP BETWEEN 24 HOUR	17 7 DAY DUE \$250+ 1ST DAY IN 24 HOUR REPORTS	18 \$250+ 24 DUE	19 \$250+ 24 DUE	20 \$250+ 24 DUE	21 \$250+ 24 DUE
22 TWO DAY 7 DAY & \$250+ 24 DUE	23 \$250+ 24 DUE	24 PRIMARY \$250+ 24 DUE	25	26	27	28
29	30	31	1 SEPTEMBER	2	3 10 DAY DUE	4

Cities and Boroughs with Highest Levels of Campaign Expenditures by Municipal Candidates

Year	Total Expenditures	Anchorage*	Fairbanks*	North Slope*	Kenai*	Juneau*	Ketchikan*	Kodiak*
1974	\$100,012	\$49,317 (49.3%)	\$32,904 (32.9%)	0/0	\$3,878 (3.8%)	\$6,927 (6.9%)	\$3,599 (3.6%)	\$331 (.3%)
1975	371,398	278,778 (75.1%)	31,849 (8.6%)	14,290 (3.8%)	25,604 (6.9%)	8,057 (2.2%)	2,124 (.6%)	6,638 (1.8%)
1976	188,913	103,822 (55.0%)	61,430 (32.5%)	0/0	2,884 (1.5%)	15,796 (8.4%)	1,085 (.6%)	1,095 (.6%)
1977	192,112	116,544 (60.7%)	50,634 (26.4%)	0/0	5,857 (3.0%)	5,382 (2.8%)	4,392 (2.3%)	3,139 (1.6%)
1978	454,980	336,709 (74.0%)	53,983 (11.8%)	34,586 (7.6%)	10,038 (2.2%)	10,295 (2.3%)	3,988 (.9%)	2,021 (.4%)
1979	323,972	221,895 (68.5%)	51,656 (15.9%)	0/0	8,834 (2.7%)	16,188 (5.0%)	8,839 (2.7%)	3,449 (1.1%)
1980	348,333	139,690 (40.1%)	65,725 (18.9%)	43,461 (12.5%)	51,799 (14.9%)	12,235 (3.5%)	4,842 (1.4%)	4,435 (1.3%)
1981	1,140,028	860,113 (75.4%)	45,175 (3.9%)	104,014 (9.0%)	64,790 (5.6%)	28,943 (2.5%)	10,249 (.8%)	6,683 (.1%)
1982	450,000	194,019 (43.1%)	167,400 (37.2%)	5,688 (1.3%)	13,203 (2.9%)	24,162 (5.4%)	14,692 (3.3%)	642 (0%)
Nine-Year Average		(64.5%)	(15.7%)	(5.7%)	(5.2%)	(3.6%)	(1.5%)	(.8%)

\*Anchorage represents Municipality of Anchorage (also former City of Anchorage, Greater Anchorage Area Borough, former Eagle River Borough).

\*Fairbanks represents Fairbanks North Star Borough and the City of Fairbanks.

\*Juneau represents City and Borough of Juneau.

\*Kenai represents Kenai Peninsula Borough and the Cities of Kenai, Seward, Soldotna, and Homer.

\*North Slope represents North Slope Borough and the City of Barrow.

\*Ketchikan represents Ketchikan Gateway Borough and the City of Ketchikan.

\*Kodiak represents Kodiak Island Borough and the City of Kodiak.

## Sectional Analysis

SSHB165

### SECTION 1

This section cleans up the language by substituting candidate with himself. It raises the threshold of aggregate contributions from \$100 to \$250. A position of Deputy Campaign treasurer is added to the list of people authorized to certify reports.

### SECTION 2

The threshold of contributions made to a group is raised from \$100 to \$250.

### SECTION 3

A Deputy Campaign treasurer is added as a person who may certify reports as correct.

### SECTION 4

The aggregate threshold for contributors is raised from \$100 to \$250.

### SECTION 5

This section needs to be amended. The drafters added language to eliminate pronouns in accordance with their rules and it appears to be in conflict. Should read : "appointed by the treasurer"not"appointed by the candidate" because in section (e) the campaign treasurer is given the authority to appoint deputy treasurers.

### SECTION 6

The threshold for acceptance of cash contributions is raised from \$100 to \$250.

### SECTION 7

The threshold for cash expenditures is raised from \$100 to \$250.

### SECTION 8

24 hour reporting of expenditures is eliminated. The threshold for 24 hour reporting of contributions is raised from \$250 to \$500. 24 hour reporting is changed to 48 hour reporting. Language is cleaned up: recieved is changed to made, deletes expenditure, adds Candidate and Deputy Campaign treasurer to people responsible for receipt of contributions.

### SECTION 9

7 day reporting is eliminated.

### SECTION 10

An immediate effective date is provided for.

PROPOSED AMENDMENT SSHB 165

Page 2, line 7: Delete "candidate" and insert "campaign treasurer".

The drafters of this bill inadvertently created a conflict between the provisions of (f) as amended and the provisions of (e) in this section. Subsection (e) states that the campaign treasurer has the authority to appoint deputy campaign treasurers. The drafter's language in (f) states that the candidate appoints the deputy treasurer. This ambiguity will allow controversy over interpretation when it is implemented. Therefore, in order to avoid confusion, the above language change is proposed.

As of 3/27/83

ANALYSIS OF CSSHBL65

General Overview: The purpose of this legislation is to clean up the Campaign Disclosure Laws without sacrificing their original intent. In order to accomplish this goal, the following changes are proposed: 1) raise reporting threshold relating to monetary transactions; 2) clarify the roles of campaign officers; 3) simplify required reports; and 4) more clearly contrast the applicability of statutes as to groups or candidates.

Specific amendments to existing statutes are as follows:

P. 1, l. 14: Raises yearly threshold for reporting campaign contributions to candidates from \$100 to \$250 in the aggregate.

P. 1, l. 18: Adds reference to revised section 60(a) which deals with certification of reports and statements.

P. 1, l. 21-28: This section deals with groups. It has been rewritten to parallel (a) which pertains to candidates. This section raises aggregate yearly threshold for reporting contributions made to the group to \$250. It incorporates former section (c), which has subsequently been listed for repeal in section 19. Former subsection (1) has been omitted since it is duplicated in 60(b). This section references revised section 060(a) which delineates who may certify the reports and statements required by law to be filed with APOC.

P. 2, l. 1-3: Language added to clarify that section applies to groups which are not primarily organized for political purposes and are not raising funds for the purposes of influencing the outcome of an election.

P. 2, l. 6: Raises threshold for reporting total contributions made to a candidate or group in a year from \$100 to \$250.

P. 2, l. 7: Adds "independent" to expenditure. See new (g) which defines meaning of "independent".

P. 2, l. 10: Adds "or against any candidate, . . . ." This clarifies that the intent of the expenditure is to influence the outcome of the election either negatively or positively.

P. 2, l. 12-19: Definition section added to clarify that the transaction referred to in section 40(d) (2) is not made in cooperation with an affected entity.

P. 2, l. 21-29: Clarifies roles of campaign officers for groups and candidates. Requires groups to appoint chairmen along with treasurer.

Specifies that candidate will be assumed to be officer if another's name has not been filed with APOC.

P. 3, l. 1-2: Specifically states that a candidate may perform function of treasurer even if campaign treasurer is another person.

P. 3, l. 4-6: Adds group campaign chairman to officers required to be on file with APOC.

P. 3, l. 7-11: This paragraph restricts persons from acting in the capacity of campaign chairman or treasurer for a candidate if their names and addresses are not on file with APOC. The candidate's assumption of responsibility for the treasurer's duties has been transferred to new section 60(a). Former section required candidate to file name of campaign treasurer with APOC within a specific time period.

P. 3, l. 13-18: Added language specifies that section pertains to groups and expands scope to include all officers whose appointment is required under new section 60(b). Penalties for non-compliance by candidates are removed from section.

P. 3, l. 20-25: Changes responsibility for filing name of deputy campaign treasurer from the candidate to the person responsible for appointing them (the treasurer). Explicitly bars deputy campaign treasurers from certifying reports or statements.

P. 3, l. 27-29: Delineation of responsibility. Candidate is responsible for the performance of the campaign treasurer who is responsible for the performance of the deputy campaign treasurer(s).

P. 4, l. 1-4: Removes language joining legal responsibility of candidate with treasurer.

P. 4, l. 5-11: New section specifies that only officers specifically mentioned within this chapter may receive or expend funds. Applies to both groups and candidates.

P. 4, l. 13: Raises threshold for cash contribution to \$250.

P. 4, l. 17: Raises threshold for cash expenditure to \$250.

P. 4, l. 28: Changes officer required to be stated in disclaimer on literature or communications from campaign chairman to campaign treasurer. Listing the campaign treasurer is more consistent with the actual duties of this officer as set forth by statute.

P. 5, l. 2: Adds reference to new section 60(a) relating to certification of reports.

P. 5, l. 13: Changes due date for year-end report from three days prior to December 31st to 15 days after December 31st. (See AS 15.13.110(a).)

P. 5, l. 17-22: Changes the Twenty-Four Hour Report. Expands period to 9 days, eliminates reporting of expenditures, raises threshold for

reporting contributions from \$250 to \$500, specifies that it is receipt of contribution which brings it under the purview of this reporting requirement (ref. l. 18 "made" to "received"), and expands report intervals from 24 hours to 48 hours. Specifies that this report applies to both candidates and groups.

P. 5, l. 24-25: Added language specifies campaign treasurer rather than candidate and expands scope of this paragraph to apply to treasurers of groups.

P. 6, l. 3-9: Added language refers specifically rather than generally to campaign treasurer of a group since new 60(a) mandates appointment of group treasurers who, then, are solely responsible for certifying reports and statements.

P. 6, l. 10: Repealers. 40(c) is incorporated in re-write of (b). Sections 70(f) and 70(g) are campaign expenditure ceilings and inflation adjustment clauses which were declared unconstitutional for national campaigns by the U.S. Supreme Court in Buckley v. Valeo. An Alaska Attorney General Opinion of 1976 subsequently declared sections void for enforcement purposes on state level.

P. 6, l. 11: Immediate effective date.

Bradley  
3/25/83 ✓

Original sponsors: Uehling, Barnes,  
Bussell, et al

1 IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 165 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Public Offices Commission;  
7 and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 15.13.040(a) is amended to read:

10 (a) Each candidate shall make a full report, upon a form pre-  
11 scribed by the commission, listing the date and amount of all expendi-  
12 tures made by the candidate, the total amount of all contributions,  
13 including all funds contributed by the candidate [HIMSELF], and for  
14 all contributions in excess of \$250 [\$100] in the aggregate a year,  
15 the name, address, principal occupation, and employer of the contribu-  
16 tor and the date and amount contributed by each contributor. The  
17 report shall be filed in accordance with AS 15.13.110 and shall be  
18 certified as correct under AS 15.13.060(a) [BY THE CANDIDATE OR CAM-  
19 PAIGN TREASURER].

20 \* Sec. 2. AS 15.13.040(b) is repealed and reenacted to read:

21 (b) Each group shall make a full report, upon a form prescribed  
22 by the commission, listing the date and amount of all expenditures  
23 made by the group, the total amount of all contributions; and for all  
24 contributions in excess of \$250 in the aggregate a year, the name,  
25 address, principal occupation, and employer of the contributor and the  
26 date and amount contributed by each contributor. The report shall be  
27 filed in accordance with AS 15.13.110 and shall be certified as cor-  
28 rect under AS 15.13.060(a).

29 \* Sec. 3. AS 15.13.040(d) is amended to read:

1 (d) Every individual or [,] person and every [OR] group that is  
2 not required to register under AS 15.13.050 [MAKING A CONTRIBUTION OR  
3 EXPENDITURE] shall make a full report, upon a form prescribed by the  
4 commission, of the following contributions or expenditures:

5 (1) any contribution of cash, goods or services valued at  
6 more than \$250 [\$100] a year to any group or candidate; or

7 (2) any independent expenditure [WHATSOEVER] for advertis-  
8 ing in newspapers, on radio or on television [;] or [,] for the publi-  
9 cation, distribution or circulation of brochures, flyers, or other  
10 campaign material for or against any candidate, [OR] ballot proposi-  
11 tion or question.

12 \* Sec. 4. AS 15.13.040 is amended by adding a new subsection to read:

13 (g) As used in this section, an "independent expenditure" is a  
14 disbursement of funds made to support or oppose the election of a  
15 candidate or the passage of a ballot proposition or question not made  
16 with the cooperation, consent, or at the request of a candidate, a  
17 campaign committee or controlled group of a candidate, or a group that  
18 is supporting or opposing the candidate or ballot proposition or  
19 question for which the funds are disbursed.

20 \* Sec. 5. AS 15.13.060(a) is amended to read:

21 Sec. 15.13.060. CAMPAIGN OFFICERS [TREASURERS]. (a) Each  
22 candidate may and each group shall appoint a campaign treasurer who is  
23 responsible for ~~RECEIVING~~ [RECEIVING, HOLDING, AND DISBURSING ALL  
24 CONTRIBUTIONS AND EXPENDITURES, AND FOR FILING] all reports and state-  
25 ments required by law. Each candidate may and each group shall ap-  
26 point a campaign chairman. The campaign chairman and the campaign  
27 treasurer may be the same individual. A candidate who does not ap-  
28 point a campaign chairman is the campaign chairman. A candidate who  
29 does not appoint a campaign treasurer is the [A CANDIDATE MAY BE A]

1 campaign treasurer. A candidate ~~is~~ certify a report required to  
2 ~~certify~~

3 \* Sec. 6. AS 15.13.060(b) is amended to read:

4 (b) Each group shall file the name and the address of its cam-  
5 campaign chairman and its campaign treasurer with the commission at the  
6 time it registers with the commission under AS 15.13.050.

7 \* Sec. 7. AS 15.13.060(c) is repealed and reenacted to read:

8 (c) An individual may not act as either a campaign chairman or a  
9 campaign treasurer of a candidate for state or for municipal office  
10 until the candidate has filed the name and ~~the~~ of the campaign  
11 chairman or the campaign treasurer with the commission.

12 \* Sec. 8. AS 15.13.060(d) is amended to read:

13 (d) In the case of the death, resignation or removal of a cam-  
14 campaign chairman or a campaign treasurer of a group, the group [CANDI-  
15 DATE] shall appoint a successor as soon as practicable and file the  
16 [HIS] name and address with the commission within 48 hours of the  
17 appointment. [THE CANDIDATE IS DISQUALIFIED WHEN HE HAS BEEN FOUND TO  
18 HAVE BEEN IN WILFUL VIOLATION OF THIS SUBSECTION].

19 \* Sec. 9. AS 15.13.060(e) is amended to read:

20 (e) A campaign treasurer may appoint as many deputy campaign  
21 treasurers as the campaign treasurer [HE] considers necessary. The  
22 campaign treasurer [CANDIDATE] shall file the names and addresses of  
23 the deputy campaign treasurers with the commission. A deputy campaign  
24 treasurer may not certify reports and statements required to be certi-  
25 fied by law.

26 \* Sec. 10. AS 15.13.060(f) is amended to read:

27 (f) A [THE] candidate is responsible for the performance of ~~the~~  
28 ~~the~~ chairman [HIS] campaign treasurer and a campaign  
29 treasurer of a candidate or of a group is responsible for the

1 performance of the deputy campaign treasurers [, AND ANY DEFAULT OR  
2 VIOLATION BY THE TREASURER ALSO SHALL BE CONSIDERED A DEFAULT OR  
3 VIOLATION BY THE CANDIDATE IF HE KNEW OR HAD REASON TO KNOW OF THE  
4 DEFAULT OR VIOLATION].

5 \* Sec. 11. AS 15.13.060 is amended by adding a new subsection to read:

6 (g) Contributions to a candidate may be received and expendi-  
7 tures of a candidate may be made only by the candidate, the campaign  
8 chairman, the campaign treasurer, or a deputy campaign treasurer of  
9 the candidate. Contributions to a group may be received and expendi-  
10 tures of a group may be made only by the campaign chairman, campaign  
11 treasurer, or a deputy campaign treasurer of the group.

12 \* Sec. 12. AS 15.13.070(b) is amended to read:

13 (b) No contribution over \$250 [\$100] may be made in cash or by  
14 cash payment and it may not be accepted by or on behalf of a candi-  
15 date.

16 \* Sec. 13. AS 15.13.070(c) is amended to read:

17 (c) No expenditures over \$250 [\$100] may be made in cash or by  
18 cash payment unless a written receipt is obtained and filed with the  
19 commission.

20 \* Sec. 14. AS 15.13.090 is amended to read:

21 Sec. 15.13.090. IDENTIFICATION OF COMMUNICATION. All advertise-  
22 ments, billboards, handbills, paid-for television and radio announce-  
23 ment<sup>s</sup> and other communications intended to influence the election of a  
24 candidate or outcome of a ballot proposition or question shall be  
25 clearly identified by the words "paid for by" followed by the name and  
26 address of the candidate, group or individual paying for the advertis-  
27 ing. In addition, candidates and groups must identify the name of  
28 their campaign treasurer [CHAIRMAN].

29 \* Sec. 15. AS 15.13.110(a) is amended to read:

1 (a) Each candidate and group shall make a full report in accor-  
2 dance with AS 15.13.040 that is certified under AS 15.13.060(a) during  
3 the period ending three days before the due date of the report and  
4 beginning on the last day covered by the most recent previous report,  
5 or, if a first report, all contributions received and expenditures  
6 made before three days before the due date of the report. The report  
7 shall be filed at the following times:

8 (1) 30 days before the election; however, this report is  
9 not required if the deadline for filing a nominating petition or  
10 declaration of candidacy is within 30 days of the election;

11 (2) one week before the election;

12 (3) 10 [TEN] days after the election; and

13 (4) 15 days after the end [DECEMBER 31] of each year for  
14 expenditures and contributions received which were not reported that  
15 year.

16 \* Sec. 16. AS 15.13.110(b) is amended to read:

17 (b) Each contribution [OR EXPENDITURE] which exceeds \$500 [\$250]  
18 and which is received [MADE] within nine days [ONE WEEK] of the elec-  
19 tion shall be reported to the commission by date, amount, and contrib-  
20 utor [OR RECIPIENT] within 48 [24] hours of receipt [OR EXPENDITURE]  
21 by the [CANDIDATE OR] campaign treasurer of the candidate or of the  
22 group.

23 \* Sec. 17. AS 15.13.110(c) is amended to read:

24 (c) The reports of the campaign treasurer of a candidate or a  
25 group [CANDIDATES] shall be filed with the commission's central  
26 office. All reports required by this chapter shall be kept open to  
27 public inspection. Within 30 days after each election, the commission  
28 shall prepare a summary of each report which shall be made available  
29 to the public at cost upon request. Each summary shall use uniform

1 categories of reporting.

2 \* Sec. 18. AS 15.13.110(e) is amended to read:

3 (e) The campaign treasurer of a [A] group formed to sponsor an  
4 initiative, a referendum or a recall shall report 30 days after the  
5 [ITS] first filing of the group with the lieutenant governor. There-  
6 after the campaign treasurer of each group shall report within 10 days  
7 after the end of each calendar quarter on the contributions received  
8 and expenditures made during the preceding calendar quarter until  
9 reports are due under (a) of this section.

10 \* Sec. 19. AS 15.13.040(c) and AS 15.13.070(f) and (g) are repealed.

11 \* Sec. 20. This Act takes effect immediately in accordance with AS 01.-  
12 10.070(c).

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CHAPTER 13.


State Election Campaigns.

CITATION: Sec. 15.13.040.

CATCH LINE

CONTRIBUTIONS, EXPENDITURES AND SUPPLYING OF SERVICES TO REPORTED.

TEXT

 Each candidate shall make a full report, upon a form prescribed by the commission, listing the date and amount of all expenditures made by the candidate, the total amount of all contributions, including all funds contributed by the candidate himself, and for all contributions in excess of \$100 in the aggregate a year, the name, address, principal occupation, and employer of the contributor and the date and amount contributed by each contributor. The report shall be filed in accordance with AS 15.13.110 and shall be certified correct by the candidate

or campaign treasurer.

(b) Each group shall make a full report upon a form prescribed by the commission, listing

(1) the name and address of each officer and director;

(2) the aggregate amount of all contributions made to it; and, for all contributions in excess of \$100 in the aggregate a year, the name, address, principal occupation, and employer of the contributor, and the date and amount contributed by each contributor; and

(3) the date and amount of all contributions made by it and all expenditures made, incurred or authorized by it.

(c) The report required under (b) of this section shall be filed in accordance with AS 15.13.110 and shall be certified as correct by the group's treasurer.

(d) Every individual, person or group making a contribution or expenditure shall make a full report, upon a form prescribed by the commission, of the following contributions or expenditures:

(1) any contribution of cash, goods or services valued at more than \$100 a year to any group or candidate; or

(2) any expenditure whatsoever for advertising in newspapers, on radio or on television; or, for the publication, distribution or circulation of brochures, flyers, or other campaign material for any candidate or ballot proposition or question.

(e) The report required under (d) of this section shall contain the name, address, principal occupation and employer of the individual filing the report, and an itemized list of expenditures. The report shall be filed with the commission by the contributor no later than 10 days after the contribution or expenditure is made. A copy of the report shall be furnished to the candidate, campaign treasurer or deputy campaign treasurer at the time the contribution is made.

(f) During each year in which an election occurs, all businesses, persons, or groups which furnish any of the following services, facilities, or supplies to a candidate or group shall maintain a record of each transaction: newspapers, radio, television, advertising, advertising agency services, accounting, billboards, printing, secretarial, public opinion polls, or research and professional campaign consultation or management,

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media production or preparation, or computer services. The records shall be maintained on the forms provided and in the manner required by the commission. The supplier shall file a report of the complete record of each transaction with all candidates or groups to whom he provides services, facilities or supplies in excess of \$250 in the aggregate in accordance with AS 15.13.110. All records shall be available for public inspection.

HISTORY (Sec. 1 ch 76 SLA 1974; am sec. 13 ch 189 SLA 1975)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND

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State Election Campaigns.

CITATION Sec. 15.13.060.

CATCH LINE

CAMPAIGN TREASURERS.

TEXT

(a) Each candidate and group shall appoint a campaign treasurer who is responsible for receiving, holding, and disbursing all contributions and expenditures, and for filing all reports and statements required by law. A candidate may be a campaign treasurer.

(b) Each group shall file the name and address of its campaign treasurer with the commission at the time it registers with the commission under AS 15.13.050.

(c) Each candidate for state office shall file the name and address of the campaign treasurer with the commission, or submit,

in writing, the name and address of the campaign treasurer to the director for filing with the commission, no later than 15 days after the date of filing the declaration of candidacy or the nominating petition. Each candidate for municipal office shall file the name and address of the campaign treasurer with the commission no later than seven days after the date of filing the declaration of candidacy or the nominating petition. If the candidate does not designate a campaign treasurer, the candidate is the campaign treasurer.

(d) In the case of the death, resignation or removal of a campaign treasurer, the candidate shall appoint a successor as soon as practicable and file his name and address with the commission within 48 hours of the appointment. The candidate is disqualified when he has been found to have been in wilful violation of this subsection.

(e) A campaign treasurer may appoint as many deputy campaign treasurers as he considers necessary. The candidate shall file the names and addresses of the deputy campaign treasurers with the commission.

(f) The candidate is responsible for the performance of his

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campaign treasurer, and any default or violation by the treasurer  
also shall be considered a default or violation by the candidate,  
if he knew or had reason to know of the default or violation.

HISTORY (Sec. 1 ch 76 SLA 1974; am secs. 16 - 19 ch 189 SLA 1975; am sec.  
1 ch 133 SLA 1977; am sec. 35 ch 59 SLA 1982)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND

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State Election Campaigns.

CITATION Sec. 15.13.050.

CATCH LINE

GROUPS.

TEXT Each group, before making an expenditure on behalf of, or in opposition to, a candidate or a contribution to a candidate, shall register, on forms provided by the commission, with the commission. If the group intends to support or oppose only one candidate, or to contribute to or expend on behalf of, or in opposition to, one candidate 50 per cent or more of its funds, the name of the candidate shall be a part of the name of the group. Promptly upon receiving the registration, the commission shall notify the candidate of the group's organization and intent.

AS15.13.050 DOCUMENT= 1 OF 1 PAGE = 2 OF 2  
HISTORY (Sec. 1 ch 76 SLA 1974; am sec. 15 ch 189 SLA 1975)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND

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Elections.

CHAPTER 13.

State Election Campaigns.

CITATION Sec. 15.13.070.

CATCH LINE

CONTRIBUTIONS AND EXPENDITURES; AMOUNT AND FORM OF PAYMENT

TEXT

(a) No person or group, including but not limited to all political committees, businesses, corporations, and labor unions, may contribute to or expend more than \$1,000 a year on behalf of or in opposition to the competing candidates for each elective office. Political parties and their subdivisions are not subject to the limitation prescribed in this subsection, but they are subject to the reporting requirements prescribed by AS

15.13.040(b) and 15.13.110. Nothing in this chapter prohibits

(1) a candidate from contributing more than \$1,000 of his own money to his own campaign; or

(2) individuals or groups, including but not limited to all political committees, businesses, corporations, and labor unions, from contributing to or expending on behalf of a ballot proposition or question more than \$1,000 a year; however, these contributions and expenditures shall be reported in accordance with AS 15.13.040 and 15.13.110.

(b) No contribution over \$100 may be made in cash or by cash payment and it may not be accepted by or on behalf of a candidate.

(c) No expenditures over \$100 may be made in cash or by cash payment unless a written receipt is obtained and filed with the commission.

(d) No contribution may be made, and no expenditure may be made or incurred, directly or indirectly, anonymously, in a fictitious name, or by one person or group in the name of another, to influence the election of a candidate in an election. A contribution made by a person wishing to remain anonymous, and received by a candidate, campaign treasurer or deputy campaign treasurer, may not be used or expended, but shall be returned to the donor, if his identity is known, and if no donor is found,

the contribution escheats to the state if not donated by the candidate to the charity of his choice.

(e) Contributions to a candidate or a political committee may be received by, and expenditures of a candidate or political committee may be made by, only the candidate, campaign treasurer, or deputy campaign treasurer.

(f) The total amount of expenditures made by a candidate and by all groups operating under his control may not exceed (1) 40 cents times the total population of the state according to the latest United States census figures, or estimates of population certified as correct for administrative purposes by the Department of Community and Regional Affairs, if the candidacy is for governor or lieutenant governor, of which amount no more than 50 per cent may be spent in a primary election campaign and no more than 50 per cent in the general election campaign; (2) \$1 times the total population of the geographical area of the constituency according to the latest United States census figures, or estimates of population certified as correct for administrative purposes by the Department of Community and Regional Affairs, divided by the number of seats in the senate

district if the candidacy is for the state senate; (3) \$1 times the total population of the geographical area of the constituency according to the latest United States census figures, or estimates of population certified as correct for administrative purposes by the Department of Community and Regional Affairs, divided by the number of seats in the house district if the candidacy is for the state house of representatives. The expenditure limitations in this section include expenditures for both a primary and a general election campaign, or for a special election.

(g) Each general election year the commission shall adjust the campaign expenditure limitations for each category of (f) of this section to reflect cost-of-living changes as determined and published by the Bureau of Labor Statistics of the United States Department of Labor.

(h) No campaign expenditure of any type whatsoever shall be made by any candidate, treasurer, or group unless the source is disclosed as required by the provisions of this chapter whether or not those funds were received prior to May 10, 1974.

HISTORY (Sec. 1 ch 76 SLA 1974; am secs. 20, 21 ch 189 SLA 1975)

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CHAPTER 13.

State Election Campaigns.

CITATION Sec. 15.13.110.

CATCH LINE

FILING OF REPORTS.

TEXT

(a) Each candidate and group shall make a full report in accordance with AS 15.13.040 during the period ending three days before the due date of the report and beginning on the last day covered by the most recent previous report, or, if a first report, all contributions received and expenditures made before three days before the due date of the report. The report shall be filed at the following times:

(1) 30 days before the election; however, this report is not required if the deadline for filing a nominating petition or declaration of candidacy is within 30 days of the

(2) one week before the election;

(3) ten days after the election; and

(4) December 31 of each year for expenditures and contributions received which were not reported that year.

(b) Each contribution or expenditure which exceeds \$250 and which is made within one week of the election shall be reported to the commission by date, amount, and contributor or recipient within 24 hours of receipt or expenditure by the candidate or campaign treasurer.

(c) The reports of candidates shall be filed with the commission's central office. All reports required by this chapter shall be kept open to public inspection. Within 30 days after each election, the commission shall prepare a summary of each report which shall be made available to the public at cost upon request. Each summary shall use uniform categories of reporting.

(d) Within 30 days after each election, each supplier shall make a full report to the commission in accordance with AS 15.13.040. Within 60 days after each election, the commission

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shall prepare a summary by candidate or group of the transactions  
and make the summaries public.

(e) A group formed to sponsor an initiative, a referendum or  
a recall shall report 30 days after its first filing with the  
lieutenant governor. Thereafter each group shall report within  
10 days after the end of each calendar quarter on the  
contributions received and expenditures made during the preceding  
calendar quarter until reports are due under (a) of this section.

HISTORY (Sec. 1 ch 76 SLA 1974; am sec. 24 ch 189 SLA 1975; am sec. 2 ch  
133 SLA 1977)

R0601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND

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Re: Lachen's

Bill - #176

There is no  
question or  
problem with  
Residency.

- Does not apply -