

106TH CONGRESS
2^D SESSION

H. R. 5365

To impose a temporary moratorium on the elimination of the existing “pooling of interests” method of accounting for business mergers and acquisitions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 3, 2000

Mr. COX (for himself, Mr. BLILEY, Mr. TAUZIN, Mr. DREIER, Mr. DAVIS of Virginia, Mr. GOODLATTE, Mr. WELLER, Mr. DOOLEY of California, Ms. ESHOO, Mr. MORAN of Virginia, Mr. SMITH of Washington, Mr. CROWLEY, and Mr. GONZALEZ) introduced the following bill; which was referred to the Committee on Commerce

A BILL

To impose a temporary moratorium on the elimination of the existing “pooling of interests” method of accounting for business mergers and acquisitions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Financial Accounting
5 for Intangibles Reexamination (FAIR) Act”.

1 **SEC. 2. SENSE OF CONGRESS.**

2 It is the sense of the Congress that, prior to changing
3 existing rules of accounting for business combinations and
4 intangible assets, the Securities and Exchange Commis-
5 sion and the Financial Accounting Standards Board
6 should undertake a comprehensive reexamination of the
7 appropriate methods of accounting for purchased and in-
8 ternally generated intangibles including goodwill, and
9 should await the results of related studies of these issues.

10 **SEC. 3. MORATORIUM ON ELIMINATION OF POOLING OF IN-**
11 **TERESTS METHOD OF ACCOUNTING.**

12 (a) CONTINUED VALIDITY OF METHOD.—Notwith-
13 standing any other provision of law, for purposes of any
14 financial statement, report, or other document required
15 under any of the securities laws, the availability and use
16 of the pooling of interests method of accounting for any
17 business combination shall be determined in accordance
18 with generally accepted accounting principles as in effect
19 on October 1, 2000 .

20 (b) DURATION OF MORATORIUM.—This section shall
21 take effect upon the date of the enactment of this Act and
22 shall remain in effect until 90 days after the date of the
23 submission of the report required by section 4(e).

24 **SEC. 4. FURTHER STUDY.**

25 (a) ESTABLISHMENT.—There is established a com-
26 mission to be known as the Commission on Financial Ac-

1 counting for Intangibles (referred to in this section as the
2 “Commission”).

3 (b) DUTIES.—The Commission shall—

4 (1) consider the general usefulness of financial
5 statements prepared under generally accepted ac-
6 counting principles in light of recent trends in the
7 securities markets;

8 (2) consider the impact that shortcomings in
9 generally accepted accounting principles have on se-
10 curities market volatility, capital allocation, and the
11 investment of retirement fund assets, both individual
12 and institutional;

13 (3) consider methods to better identify, value,
14 and account for purchased and internally generated
15 intangible assets;

16 (4) examine the general questions surrounding
17 the role of intangible assets in financial reporting in
18 the economy; and

19 (5) consider the economic impact that would re-
20 sult if the pooling of interests method of accounting
21 for business combinations were eliminated.

22 (c) MEMBERSHIP.—

23 (1) NUMBER AND APPOINTMENT.—

24 (A) The Commission shall be composed of
25 10 individuals, of which—

1 (i) 3 shall be appointed by the major-
2 ity leader of the Senate;

3 (ii) 2 shall be appointed by the minor-
4 ity leader of the Senate;

5 (iii) 3 shall be appointed by the
6 Speaker of the House of Representatives;
7 and

8 (iv) 2 shall be appointed by the minor-
9 ity leader of the House of Representatives.

10 (B) From the 10 commissioners appointed,
11 a chairman shall be selected jointly by the ma-
12 jority leader of the Senate and the Speaker of
13 the House of Representatives.

14 (2) QUALIFICATIONS FOR MEMBERSHIP.—

15 (A) Of the members appointed under para-
16 graph (1)(A), 4 shall come from the accounting
17 profession.

18 (B) The remainder of such members shall
19 be experts capable of carrying out the duties
20 described in this section.

21 (3) DEADLINE FOR APPOINTMENT.—All mem-
22 bers of the Commission shall be appointed by no
23 later than December 31, 2000.

1 (4) TERMS OF APPOINTMENT.—The term of an
2 appointment to the Commission shall be for the life
3 of the Commission.

4 (5) VACANCY.—

5 (A) A vacancy on the Commission shall be
6 filled, not more than 30 days after notice of the
7 vacancy is given to the Commission, in the
8 same manner in which the original members
9 were selected.

10 (B) A vacancy shall not affect the power of
11 the remaining members to execute the duties of
12 the Commission.

13 (d) PROCEDURE.—

14 (1) MEETINGS.—The Commission shall meet at
15 the call of its chairman or a majority of its mem-
16 bers.

17 (2) QUORUM.—A quorum shall consist of 7
18 members of the Commission.

19 (e) REPORT.—Not later than 9 months after the date
20 of the enactment of this Act, the Commission shall submit
21 a report to the President and Congress which shall contain
22 a detailed statement of the Commission's recommenda-
23 tions, findings, and conclusions, and may contain minority
24 or individual member's views.

1 (f) TERMINATION.—The Commission shall terminate
2 not more than 30 days after the date of submission of
3 the report required in subsection (e).

4 **SEC. 5. DEFINITIONS.**

5 For purposes of this Act:

6 (1) POOLING OF INTERESTS.—The term “pool-
7 ing of interests” refers to the method of accounting
8 for business combinations described in the Federal
9 Accounting Standards Board’s APB Opinion Num-
10 ber 16, Business Combinations, as in effect on Octo-
11 ber 1, 2000.

12 (2) SECURITIES LAWS.—The term “securities
13 laws” has the meaning given such term in section
14 3(a)(47) of the Securities Exchange Act of 1934 (15
15 U.S.C. 78c(a)(47)).

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