

Statement of Financial Accounting Standards No. 46

Note: This Statement has been completely superseded

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Financial Reporting and Changing Prices:
Motion Picture Films

(a supplement of FASB Statement No. 33)

March 1981



Financial Accounting Standards Board
of the Financial Accounting Foundation
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FAS 46: Financial Reporting and Changing Prices: Motion Picture Films a supplement to FASB Statement No. 33

FAS 46 Summary

This Statement supplements FASB Statement No. 33, *Financial Reporting and Changing Prices*. It requires enterprises that present information on a current cost basis to combine measures of motion picture films and related expenses at either historical cost/constant dollar amounts or at current cost amounts with current cost measures of other assets and expenses. This Statement is effective for fiscal years ended on or after March 31, 1981 and may be applied in financial reports for periods ending before it is issued that have not yet been published.

The Board will continue to work with the motion picture film industry to develop improved methods of measuring the effects of changing prices on this industry.

INTRODUCTION AND BACKGROUND INFORMATION

1. FASB Statement No. 33, *Financial Reporting and Changing Prices*, establishes standards for reporting certain effects of price changes on business enterprises. Statement 33 requires that large public enterprises disclose information on both a historical cost/constant dollar basis and a current cost basis. Current cost information is required for fiscal years ended on or after December 25, 1979, but first presentation of the information can be postponed for one year.

2. Several representatives of the motion picture film industry have met with the FASB staff and the Board to discuss their concerns about the current cost requirements as they apply to films. Based on discussions with the industry representatives and on reactions to a proposed FASB Technical Bulletin on the subject, the Board has concluded that additional flexibility should be provided for measurements of the effects of specific price changes on motion picture films. The Board believes that the doubts about the feasibility and usefulness of current cost measures for motion picture films, and the need for further study of current cost, net realizable value, and other disclosures, justify the alternatives that this Statement provides.

3. An Exposure Draft of a proposed Statement, *Financial Reporting and Changing Prices: Motion Picture*

Films, was issued on February 9, 1981. The Board received 18 comment letters in response to the Exposure Draft. All of the respondents favored issuance of the Statement. Four letters suggested minor clarification of wording. The definition of motion picture films has been broadened in response to these suggestions.

4. This Statement allows enterprises that present information on a current cost basis to combine measures of motion picture films and related expenses at either historical cost/constant dollar amounts or at current cost amounts with current cost measures of other assets and expenses.

5. This Statement does not set a time limit on the applicability of its provisions. However, the Board will continue to work with the motion picture film industry to develop improved methods of reflecting effects of price changes on films. That work will focus on the relevance and reliability of various measures, including current cost and net realizable value. In assigning a priority to the work, the Board will take into account the small number of enterprises for which motion picture films are a major part of their assets. However, the Board will issue a Statement to supersede the provisions of this Statement as soon as that action is justified by the available evidence.

6. The Board has concluded that it can reach an informed decision on the basis of existing data without a public hearing and that the effective date and transition specified in paragraph 9 are advisable in the circumstances.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Definition

7. For the purposes of this Statement, the term *motion picture films* includes all types of films and videotapes and disks, including features, television specials, series, and cartoons that are (a) exhibited in theaters; (b) licensed for exhibition by individual television stations, groups of stations, networks, cable television systems, or other means; or (c) licensed for commercial reproduction (e.g., for the home viewing market).

Supplement to FASB Statement No. 33

8. The following paragraph is added after paragraph 53 of Statement 33, as amended by Statements 39, 40, and 41:

When an enterprise presents information on a current cost basis, it shall measure motion picture films and related amortization expense at either their historical cost/constant dollar amounts or at current cost or lower recoverable amounts.

Effective Date and Transition

9. The provisions of this Statement shall be effective for fiscal years ended on or after March 31, 1981. Earlier application is encouraged for financial reports for fiscal periods ending before March 31, 1981 that have not been issued at that date.

The provisions of this Statement need not be applied to immaterial items.

This Statement was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Donald J. Kirk, *Chairman*
Frank E. Block
John W. March
Robert A. Morgan
David Mosso
Robert T. Sprouse
Ralph E. Walters