This Bulletin deals with the reporting, in financial statements, of the post-war refund of excess-profits tax provided for in section 250 of the Revenue Act of 1942.

SUMMARY STATEMENT

(1) In the balance sheet the amount of excess-profits tax payable (without deduction for the so-called post-war credit provided by section 780 (a), as limited by section 783 (c) of the Internal Revenue Code, which sections were added by section 250 of the Revenue Act of 1942) should be shown as an accrued liability in the current liability section; the amount of such post-war credit, representing the right to receive government bonds or the par value of government bonds received therefor, should be shown, at least as long as they remain non-negotiable, as a non-current asset.

(2) In the income statement, effect should be given to the full amount of excess-profits tax, the amount of the post-war credit under section 780 (a), and the amount of the debt-retirement credit under section 783, if any, with appropriate disclosure as to each such amount.

(3) If it is desired to utilize the amount of the post-war credit as, in effect, a reserve for post-war contingencies, this result should be accomplished by separate action under rules relative to such reserves set forth in Accounting Research Bulletin No. 13.

DISCUSSION

Under section 250 of the Revenue Act of 1942 (adding sections 780–783 to the Internal Revenue Code) the Secretary of the Treasury is authorized and directed to establish a credit (hereinafter referred to as the post-war credit) to the account of each taxpayer for each taxable year ending after December 31, 1941 (except in the case of a taxable year beginning in 1941 and ending before July 1, 1942), and not be-