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Ms. Suzanne Bielstein  
Director of Major Projects and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

**File Reference No. 1099-001 – Proposed Interpretation – Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143**

Dear Ms. Bielstein:

We are pleased to comment on the FASB's Proposed Interpretation, *Accounting for Conditional Asset Retirement Obligations, an interpretation of FASB Statement No. 143* (the "Proposed Interpretation").

Conceptually, we agree with the Board's conclusion that the uncertainty surrounding the timing and method of settlement of a conditional asset retirement obligation should not dictate whether a retirement obligation is recognized, but rather, should be included in the measurement of the obligation.

**LIABILITY RECOGNITION**

We agree with the premise that tangible long-lived assets do not last forever. Thus, all long-lived assets must ultimately be disposed of or retired. If the only permissible method(s) of ultimate retirement of an asset under the law requires the performance of specific activities (i.e., the asset retirement activities must eventually be performed), we believe the owner of an asset should recognize the asset retirement obligation pursuant to the guidance in FASB Statement No. 143, *Accounting for Asset Retirement Obligations* (FASB 143).

We agree with the FASB's interpretation that FASB 143 requires recognition of this obligation regardless of whether the current owner expects to settle the obligation by performing the ultimate retirement activity itself, or relieves itself of the obligation to perform the ultimate retirement activity by transferring it to another party along with the asset. In essence, a transfer of ownership of the long-lived asset is not a means of avoiding the obligation associated with retiring the asset. Rather it is a settlement of the liability related to the obligation (provided the entity is no longer primarily obligated).

In addition, we believe the obligation is the result of past events, which are the acquisition, construction, or development of a tangible long-lived asset and a legal requirement.

**MEASUREMENT**

The Proposed Interpretation does not require recognition of an asset retirement obligation for liabilities that cannot be estimated reasonably because of an indeterminate settlement date. The Proposed Interpretation provides only one example of an indeterminate life tangible asset, an oil refinery. We are unsure if by the oil refinery example, the Board meant to include tangible long-lived assets that

management intends to maintain into the far distant future as the only means of defining an indeterminate life asset or if it was the Board's intent to provide for a wide range of indeterminate life assets. We believe the set of long-lived assets with potentially indeterminate lives is significant. Therefore, we recommend that the Board provide financial statement preparers with the characteristics of an indeterminate life tangible asset (e.g., characteristics that indicate the range of possible lives is so broad that the useful life of the tangible asset is indeterminate) or provide guidance with additional specific examples of when a tangible asset has an indeterminate life so preparers understand the Board's intention. Unnecessary diversity in practice will result without additional guidance in the Final Interpretation.

We are unsure if the Proposed Interpretation meant to define indeterminate life as the only situation in which an asset retirement obligation cannot be estimated reasonably. There may be frequent instances in which a determinate life asset's retirement activity is so far into the future that providing a reliable estimate of the current asset retirement obligation is not reasonable. We suggest the Board provide additional clarification on when an asset retirement obligation ceases to be estimated reasonably. We base that concern on the number of important subjective judgments that management will be required to make concerning the timing, method, and probability of a retirement activity that is expected to occur in the far distant future. Adding to the complexity of the measurement is the fact that the strategy for dealing with the asset – retirement, abandonment, modifications, etc. – will likely be devised by, and the responsibility of future management about whose behavior current company officials can only make educated guesses. Unlike many other measurements of assets and liabilities involving far-in-the-future events, this measurement is not primarily from the view of a market-place participant, but is based heavily on the possible actions of future managers of the company.

Additionally, much of the information necessary to make a reasonable estimate of the asset retirement obligation may not be available currently or may need to be created. If it is a question of the information being created, unfortunately, much of it only can be created by management based on their current assessments about the timing and possible methods of settling this obligation. Requiring management to create much of this information based on their judgments may cause difficulties in verifying the accuracy of the information, not to mention comparability of information from company to company. Based on the complexities involved in making these measurements and because FASB 143 provides a measurement threshold for recognition, we believe additional guidance on when an asset retirement obligation ceases to be estimated reasonably is needed. Otherwise, unintended diversity in practice will develop.

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We welcome any questions regarding our response. Please contact Dawn Trapani at (203) 761-3697 or James Johnson at (203) 761-3709.

Yours truly,

Deloitte & Touche LLP