Letter of Comment No: 3/ File Reference: 1099-001

August 10, 2004

Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856

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Dear FASB:

The Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants is pleased to offer comments on the FASB's June 17, 2004 Proposed Interpretation, *Accounting for Conditional Asset Retirement Obligations* (FIN).

AcSEC supports the proposed FIN for the reasons given by the Board. AcSEC agrees that a legal obligation to perform an asset retirement activity that is conditional on a future event as described in the proposed FIN is within the scope of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, and that the fair value of such obligation should be recognized as a liability if a reasonable estimate of fair value can be made.

AcSEC offers the following suggestions to enhance the understandability of the final FIN.

- AcSEC recommends that the Board reconsider its use of the word "conditional" in the proposed FIN. The current use of "conditional on a future event" in the proposed FIN suggests that the legal obligation itself may be conditional or that the obligation may not be incurred until such time that a future event occurs. As described in the proposed FIN and related examples, although the timing and method of settlement may be uncertain, the legal obligation is not conditional.
- AcSEC recommends that the Board provide additional examples in the proposed FIN related to more common activities of companies that would result in an asset retirement obligation. AcSEC believes that additional examples will help ensure that companies appropriately consider the types of obligations that are within the scope of the proposed FIN. For example,

AcSEC discussed an example in which state or local statute requires demolition and removal of buildings and equipment at an abandoned facility.

- AcSEC recommends that the Board consider providing guidance or an example of a situation where a company takes action to maintain a retired asset or control an abandoned site as a method of settlement of an obligation. For example, assume a company owns a contaminated property that it no longer uses. Rather than settle its obligation by restoring the abandoned site, the company may be able to hire guards to secure the property and take other action to contain the contamination. The actions to secure the abandoned property and contain the contamination is one method of settling the obligation. The ability to take such actions does not eliminate the obligation or the requirement to recognize the liability if a reasonable estimate of the fair value of the obligation can be made.
- AcSEC also suggests that the Board provide additional explanation in Example 4 of the proposed FIN to indicate that components of the refinery may be subject to asset retirement obligations (similar to the situation in Example 3) and that it may be possible to make a reasonable estimate of the fair value of the asset retirement obligation for those components even though a reasonable estimate of the fair value of the obligation for the soil contamination cannot be made.

We appreciate the opportunity to comment on the proposed FIN. Representatives of AcSEC would be pleased to discuss our comments with the Board or staff.

Sincerely,

Mark M. Bielstein Chairman Accounting Standards Executive Committee