

Letter of Comment No: //
File Reference: FSPFAS13-B
Date Received:

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August 18, 2005

Mr. Lawrence Smith
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference FSP No. FAS 13-b, Accounting for Rental Costs Incurred during a Construction Period

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the Financial Accounting Standards Board (FASB or the "Board") on its proposed FASB Staff Position (the proposed "FSP") noted above.

We support the issuance of an FSP on the subject of accounting for rental costs incurred during a construction period because we believe it will reduce diversity in practice. However, because the proposed FSP will change practice for a portion of the Board's constituents, we believe it is important that the basis for the staff position be robust. The rationale in paragraph 6 of the proposed FSP appears to be that the nature of the rental cost incurred during construction and after construction are the same. On that point, we agree that there is no distinction between the right to use a leased asset during the construction period and the right to use that asset after the construction period. However, this does not address whether a particular cost should qualify for capitalization.

We believe the Board should explain its conclusion in the context of the conceptual principles of cost capitalization and articulate the reasoning supporting the conclusion that rental costs incurred during a construction period should be expensed. In our view, the determination as to whether the cost should be capitalized or expensed should be based on whether the cost is a project cost that is associated with the construction of a real estate project. We note that current practice has analogized to the principle contained in paragraph 7 of FAS 67, which provides that "project costs clearly associated with the ... construction of a real estate project shall be capitalized as a cost of that project."

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We also recommend that the FSP state that it amends the guidance provided in Emerging Issues Task Force Issue No. 97-10 (EITF 97-10), The Effect of Lessee Involvement in Asset Construction, which states, "Land carrying costs, such as interest or ground rentals incurred during the construction period, are considered to be part of total project costs, consistent with GAAP." While EITF 97-10 does not provide specific guidance as to which costs should be capitalized by a lessee who is considered to be the owner of the real estate project during the construction period, practice has developed to capitalize all project costs, including land carrying costs. Since the Board intends to modify that practice, it should do so explicitly; otherwise, some might conclude that the Board did not intend to change practice as it relates to the application of EITF 97-10.

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| If you have questions regarding | our comments, pleas | se contact Ted Barar | 1 at (973) 236- |
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| 7226.                           |                     |                      |                 |

Sincerely,

PricewaterhouseCoopers LLP