

Letter of Comment No: 7
File Reference: FSPFIN46RC

Subject: FW: Comments on Proposed FSP FIN 46(R)-c

-----Original Message-----

From: Allen Plyler [mailto:plyler@sbcglobal.net]
Sent: Wednesday, November 30, 2005 3:01 PM
To: Director - FASB
Subject: Comments on Proposed FSP FIN 46(R)-c

November 30, 2005

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Comments on Proposed FSP 46(R)-c

Gentlemen,

In response to your request for feedback on the Proposed FASB Staff Position No. 46(R)-c, I would like to respond to you based on my viewpoints after extensive research developing accounting policy under the guidance of 46(R).

The question of variability is central to the determination of whether the entity is a VIE, and ultimately in determining the Primary Beneficiary once a conclusion has been reached that the entity is a VIE.

The “based on design” approach to variability is consistent with the fundamental objectives of the principle based views of 46(R). This concept should be clarified as not having the same meaning as the “by design” implication of Footnote 5 of paragraph 5 of FIN 46(R).

To prevent diversity in practice, I suggest revising the wording under paragraph 10 of the FSP and replace the following, “For the purposes of this FSP, interest holders include all potential variable interest holders (including liabilities, equity, and other pecuniary interests in the entity).” with “For the purposes of this FSP, interest holders include any potential variable interest holders other than those that would arise only if a reconsideration trigger event occurred (including liabilities, equity, and other pecuniary interests in the entity).”

Another suggested revision relates to the wording in paragraph 12. a. of the FSP. Instead of stating in the parenthetical (for example, what types of risks and rewards it is asking its interest holders to be exposed to), a revised wording could state, (for example, what types of risks and rewards are the interest holders expected to be exposed to).

A suggested addition would be to include a limitation paragraph for the understanding of “based on design” within a typical parent – subsidiary relationship. The objective of that paragraph would be to

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clarify that the “based on design” is an entity level concept, and should be viewed from the business purpose of the entity, rather than a parent level. The distinction is important if variability is eliminated from consideration based on the rebuttable argument presented at the parent level.

Thank you for the opportunity to provide comments on this important issue.

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