

Jim Donegan Ph.D.
Accounting Department
Ansell School of Business
Western Connecticut State University
181 White Street, Danbury, CT 06810
doneganj@wcsu.edu

Proposed Statement of
Financial Accounting Standards
File Reference No. 1205-001

Consolidated Financial Statements,
Including Accounting and Reporting of
Noncontrolling Interests in Subsidiaries

Comments

Question 1—Do you agree that the noncontrolling interest is part of the equity of the consolidated entity? If not, what alternative do you propose and why?

Yes

Question 2—Do you agree with the proposed requirement to present the noncontrolling interest in the consolidated statement of financial position within equity, separately from the parent shareholders' equity? If not, what alternative do you propose and why?

Yes

Question 3—Do you agree with the proposed requirements for attributing net income or loss and the components of other comprehensive income to the controlling and noncontrolling interests? If not, what alternative do you propose and why?

No: NCI income should continue to be deducted to arrive at consolidated net income. It is inconsistent to report EPS based on the parent's shares and not have it tie out to CNI. NCI income should be reported as part of changes in equity.

Question 4—Do you agree that changes in ownership interests in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as equity transactions? If not, what alternative do you propose and why?

Yes

Question 5—Do you agree that any gain or loss resulting from the remeasurement of a retained investment in a former subsidiary should be recognized in income of the period? If not, what alternative do you propose and why?

No: The standards concerning asset impairments should be applied. Gains should be recognized only on sale of a portion of an investment.

Question 7—Do you agree that earnings per share amounts should be calculated using only amounts attributable to the controlling interest? If not, what alternative do you propose and why?

Yes

Question 8—Do you agree that disclosure of the total amounts of consolidated net income and consolidated comprehensive income, and the amounts of each attributable to the controlling interest and the noncontrolling interest should be required? If not, why?

Yes

Question 9—Do you agree that disclosure of the amounts attributable to the controlling interest should be required? If not, why?

No (generally). Given that users of the consolidated statements will be generally unable to obtain information on assets, liabilities, cash flows, revenues and expenses of consolidated subsidiaries, there seems no reason to disaggregate income data in this way. In cases where there are many subsidiaries and numerous NCI's, it is not clear what purpose would be served by disclosure.

Possible exception: I argued above against including NCI income in consolidated income. Assuming that the ED becomes effective as proposed, it would be useful to disclose to users the controlling and noncontrolling shares of separately reported items attributable to a subsidiary with a large (relative to the consolidated entity as a whole) NCI.

Question 9—Do you agree that disclosure of the amounts attributable to the controlling interest should be required? If not, why?

Yes

Question 10—Do you agree that a reconciliation of the changes in the noncontrolling interest should be required? If not, why?

Yes

Question 11—Do you agree that disclosure of a separate schedule that shows the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest should be required? Please provide the basis for your position.

Yes

Question 12—Do you agree that disclosure of the gain or loss recognized on the loss of control of a subsidiary should be required? If not, why?

Yes