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October 26, 2005

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

Via email to director@fasb.org

Re: Proposed Statement of Financial Accounting Standards– *Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries*– File Reference No. 1205-001

I am writing to express my opinions regarding the above referenced Proposed Standard.

- I agree with the Board that noncontrolling interests represent equity. Paragraph 254 of Concept Statement No. 6 makes clear that minority (or noncontrolling) interests do not represent obligations of the enterprise to pay cash or distribute assets, but do represent equity interests in components of a consolidated enterprise. However, Paragraph 254 also states that the Concept Statement does not preclude showing noncontrolling interests separately from controlling interests, nor does it preclude emphasizing the interests of the controlling shareholders for whom consolidated financial statements are primarily provided. Certain requirements of the Proposed Standard deviate from this guidance by (i) combining in certain circumstances the equity and comprehensive income of the controlling interests with the noncontrolling interests and (ii) requiring unnecessary disclosures regarding noncontrolling interests. As noted, consolidated financial statements are primarily intended for the benefit of the controlling equity interests, and anything which detracts from this objective dilutes the relevance of financial information presented. Therefore, I recommend the Proposed Standard be amended to:
 - Modify the implementation guidance so there is no requirement to present a combined total of controlling and noncontrolling equity on the consolidated statement of financial position. Such implementation guidance is inconsistent with the wording in paragraph 20, which states that noncontrolling interests shall be reported separately from controlling interests, and deviates from the guidance in Concept Statement No. 6 by implying that the equity of the noncontrolling interests is equally as relevant as the equity of the controlling interests.
 - For the same reason, modify the implementation guidance so that in the consolidated statements of income and comprehensive income, each item of net income (e.g. income from continuing operations, discontinued operations, cumulative effects of change in accounting principles) and each item of other comprehensive income are all stated net of amounts attributable to noncontrolling

interests. The disclosure required by paragraph 30(c) is sufficient to provide information regarding the amounts of each of such items of net income and other comprehensive income which are attributable to the noncontrolling interests.

- Modify paragraph 30(c) to permit the reconciliation of changes in the noncontrolling interests to be presented in footnotes. Requiring such reconciliation to be included as part of a statement of changes in equity implies changes in noncontrolling equity interests are equally relevant as changes in controlling equity interests. The disclosure required by the first sentence of paragraph 30(d) would be part of this reconciliation. The EPS disclosure required by paragraph 30(d) should be eliminated, in that it detracts from EPS presented on the statement of income.
- Certain transition provisions are problematic, and should be revised.
 - The requirement of paragraph 33(e) is overly broad and would be burdensome to implement. For example, it would seem to be applicable to all prior transactions, including those related to entities which are no longer part of the consolidated financial statements. Records would likely not be available to determine the required adjustment. Also, any prior gain or loss recognized in net income is included as part of retained earnings (a component of equity), and therefore the relevance of this transition provision is unclear. Paragraph 33(e) should be deleted.
 - The requirements of paragraph 34(a) are illogical, in so far as they relate to increases, subsequent to adoption of the Proposed Standard, in ownership of subsidiaries that are less-than-majority-owned at the date of adoption of the Proposed Standard. Because the requirements of the proposed standard to replace Statement No. 141 would not be applied retroactively to business combinations involving acquisitions of less than 100% of a target, the carrying value of noncontrolling interests at the date of adoption of the Proposed Standard would not reflect the adjustment described in paragraph 58(d) of the proposed standard to replace Statement No. 141. Therefore, increases, subsequent to adoption of the Proposed Standard, in ownership of subsidiaries that are less-than-majority-owned at the date of adoption of the Proposed Standard should continue to be accounted for under current GAAP (i.e. step acquisitions). Otherwise, such transition requirements would generally result in excessive reductions of controlling equity when such subsequent step acquisitions occur, as the carrying value of the noncontrolling interests would not have been increased by the adjustments described in paragraph 58(d) of the proposed standard to replace Statement No. 141.

Thank you for your consideration of these comments and suggestions.

Sincerely,

Greg Swalwell