

Letter of Comment No: 164  
File Reference: 1204-001



November 4, 2005

Technical Director  
Financial Accounting Standards Board  
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Via email

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File reference number 1204-001 and 1205-001

The members of the Accounting and Reporting Standards Committee of the Connecticut Society of Certified Public Accountants are pleased to submit our comments on the exposure drafts Proposed Statement of Financial Accounting Standards on *Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries and Business Combinations*.

The views expressed in this letter are those of the Accounting and Reporting Standards Committee. Those views are not necessarily the view of the membership of the Connecticut Society of Certified Public Accountants.

We appreciate the opportunity to present our comments. Should there be any questions, please feel free to contact Hal Manoian, Chair of the Accounting and Reporting Standards Committee at 860-285-6336.

Very truly yours,

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Accounting and Reporting Standards Committee Chair



We respectfully ask the Board to consider our following comments and suggestions regarding its exposure drafts on Business Combinations and Noncontrolling Interests our response is related to the selected items below.

### **Contingent Consideration**

#### *Comment*

While we agree that using a fair value estimate is better than not recording any amount. We believe when the contingency is resolved goodwill should be adjusted. We do understand the Board's view of not adjusting goodwill after the fact, but we believe adjusting earnings would distort the current year income statement.

### **Objective, Definition, and Scope of a Business Combination**

#### *Comment*

We believe the Board should clarify the definitions of business combinations and control. Some combinations will occur under subjective circumstances. For example: a situation where a combination is required by virtue of a single contract (the contract dictating economic control) the varying reporting entities may have inconsistent interpretations of the requirement for combination. Therefore, it seems to us that additional guidance for such instances will be useful in removing misunderstandings or different interpretations by the reporting entities involved in the contemplated combination.

### **Net Income and Earnings per Share Presentation**

#### *Comment*

We believe the dual presentation of net income and EPS for controlling and non-controlling interests will cause more confusion to the readers of the financial statements. We would recommend a simplified approach of reporting one set of results.

Thank you for the opportunity to share our comments with you.