Letter of Comment No: 97A
File Reference: 1215-001
Date Received: 1/25/06

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January 23, 2006

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

Reference No. 1215-001

Dear Mr. Smith:

PricewaterhouseCoopers LLP has followed closely and with great interest the Financial Accounting Standards Board's (the "Board") redeliberations of the issues in its project on *Accounting for Uncertain Tax Positions - an interpretation of FASB Statement No. 109*, (the "Interpretation"). We commend the Board for considering many of the concerns raised in comment letters and tentatively deciding to modify certain of its conclusions or add clarity to the basis for conclusions. We may not in all instances agree with the Board's conclusions and arguments, but we appreciate the thorough and thoughtful analysis by the Board's staff and the Board's spirited debate of the issues. In particular, we believe that the Board's tentative decision to change the initial recognition threshold from "probable" to "more likely than not" will result in more representationally faithful accounting recognition and will provide more relevant information to the users of financial statements than the original proposal.

There is one matter, however, about which we would like to reiterate our concerns, initially raised in our comment letter dated September 13, 2005. That matter relates to the appropriate measurement of uncertain tax positions that meet the "more likely than not" recognition threshold. We acknowledge that a single-point "best estimate," as articulated in the Exposure Draft and discussed by the Board on November 22, 2005, may in certain cases be a more operational and practical approach. However, we believe that in some circumstances, particularly situations in which a range of potential outcomes exists, all of which individually have a relatively low probability of occurring, a single point estimate could result in misleading and counterintuitive results. As recently highlighted in comment letters from other constituents, in those circumstances, an expected value type methodology—probability weighting the various potential outcomes but ignoring time value (and detection risk)—would result in a more representationally faithful measurement of the benefit of an uncertain tax position. While admittedly not fair value, we believe that a probability weighted "expected outcome" approach would yield a result that is more closely correlated with economic reality and thus would enhance the quality of financial reporting of uncertain tax positions.

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We understand that some constituents have expressed concerns about the impracticability of applying an expected outcome approach. Accordingly, rather than requiring the approach to be used, we recommend that the final standard provide that use of an expected outcome approach is permitted and note that when the preparer has the ability to reasonably assess the amounts and probabilities of various potential outcomes, such an approach may avoid potentially misleading and uneconomic outcomes. In situations where the information is not readily available, a "best estimate" approach would continue to be an acceptable alternative.

Such an objective-oriented approach would allow management to determine the most representationally faithful measure for uncertain tax positions that is more closely aligned with economic substance, given the constraints of a non-fair-value-based accounting model. In this context, we note that the FASB encountered a similar issue in establishing the standard for the appropriate model to determine fair value for an employee share option. As discussed in FAS 123(R), *Share-Based Payment,* paragraphs B64-B66, the Board concluded that defining the objective for a specific measurement and leaving the actual manner of computation to the discretion of management was preferable to the rigid requirement of a particular technique, similar to our recommendation above. Further, we understand that the IASB has tentatively decided on an expected outcome measure in its discussions on uncertain tax positions. Thus, adoption of our recommendation would help bring the two standards closer together.

We believe that our recommendation would not require the proposal to be re-exposed. However, if re-exposure is required, we encourage the Board to not allow concerns about the associated delay in finalizing the standard to override the pursuit of this superior alternative.

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We appreciate the opportunity to express our views on the proposed Interpretation, including the invitation to the Board's roundtables. Although we have some differences of opinion with respect to how the Board can best achieve the objectives of the proposed Interpretation, we remain supportive of the Board's efforts to improve financial reporting in the area of uncertain tax positions. If you have any questions regarding our comments, please contact Dave Kaplan (973-236-7219), Brett Cohen (973-236-7201), or Pat Durbin (973-236-5152).

Sincerely,

PricewaterhouseCoopers LLP