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Mr. Lawrence W. Smith  
Director, TA&I – FSP  
Financial Accounting Standards Board  
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Letter of Comment No: 2  
File Reference: FSPFAS143A  
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**Proposed FASB Staff Position No. FAS 143-a, “Accounting for Electronic Equipment Waste Obligations”**

Dear Mr. Smith:

Deloitte & Touche LLP is pleased to comment on the proposed FASB Staff Position No. FAS 143-a, “Accounting for Electronic Equipment Waste Obligations” (“FSP FAS 143-a” or “proposed FSP”).

Deloitte & Touche agrees conceptually with the FASB staff and supports the proposed FSP’s objective of providing guidance on the accounting for electronic equipment waste obligations associated with historical waste held by commercial users and private households. As discussed below, applying the provisions of FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, to historical waste obligations held by commercial users poses certain operational challenges. The attached appendix offers additional suggestions intended to improve the clarity and usefulness of FSP FAS 143-a.

With regard to the FASB staff’s question on the estimated significance of these obligations, the information necessary to assist the staff in their assessment should come from preparer constituents.

**Operational Considerations for Commercial Users**

The proposed FSP requires commercial users to apply the provisions of Statement 143 to obligations associated with historical electronic equipment waste. Conceptually, the enactment of Directive 2002/96/EC on Waste Electrical and Electronic Equipment (the “Directive”) will create an obligation for electronic equipment waste disposal; however, it is possible that many commercial users will experience difficulty applying the provisions of Statement 143 to each of the hundreds or possibly thousands of assets covered by the Directive.

Paragraph B42 of Statement 143 notes that capitalized asset retirement costs “are not a separate asset because there is no specific and separate future economic benefit that results from those costs. In other words, the future economic benefit of those costs lies in the productive asset that is used in the entity’s operations.” However, the individual cost of many of the assets covered by the Directive may not have met a commercial user’s threshold for capitalization (due to materiality considerations) and may not be recorded separately in any fixed asset ledger. In such circumstances, is the commercial user required to record a liability when there is no recorded

asset to which the asset retirement obligation relates? If so, should the offsetting debit be recognized as part of fixed assets or immediately expensed? Similar issues exist for certain fully depreciable assets.

The FASB staff also should clarify whether adoption of the proposed FSP would require commercial users to reassess previous decisions not to capitalize an asset or group of assets due to materiality considerations. The proposed FSP would require commercial users, upon enactment of the legislation, to capitalize an asset retirement cost by increasing the carrying amount of the asset that is associated with the disposal obligation. It is possible that a commercial user that previously expensed an asset or group of assets at acquisition (due to materiality considerations) would have arrived at a different conclusion had the incremental asset retirement cost been added to the initial cost of the asset (i.e., the combined value of the original asset cost and the capitalized asset retirement cost would have been considered material at the acquisition date). If reassessment is required, the FASB staff should clarify how the cumulative effect of capitalizing those items (and the related depreciation costs) should be treated. The proposed FSP should also clarify transition in circumstances in which lack of sufficient records makes it impracticable for a commercial user to determine the cost basis or related disposal obligation associated with assets that were never capitalized due to materiality considerations.

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Deloitte & Touche LLP appreciates the opportunity to comment on the proposed FSP. If you have any questions concerning these comments, please contact Robert Uhl at (203) 761-3705 or Mark Bolton at (203) 761-3171.

Yours truly,

Deloitte & Touche LLP

**APPENDIX**  
**DELOITTE & TOUCHE LLP COMMENTS**  
**Proposed FASB Staff Position No. FAS 143-a**  
**Other Suggestions**

*Transition* – The FSP should provide transition guidance for commercial users that have already recorded obligations for historical electronic equipment waste, or for entities operating in countries that enacted laws to comply with the Directive prior to the issuance of a final FSP. In these situations, a cumulative effect adjustment appears to be warranted; however, no such language exists in the proposed FSP.

*Disclosure* – The proposed FSP does not specify where the expense related to a producer's share of the disposal obligation for historical electronic equipment waste held by private households should be recorded in the financial statements. Because the obligation arises from participation in the market during the measurement period (likely based on market share, i.e., sales data), some could argue that the expense is a cost of sale that would impact profit margins. However, because the costs being incurred by the entity are associated with products purchased by consumers in prior periods, some of which may not have even been the entity's own products (or sales), it would appear that such expenses are more appropriately classified as general and administrative. The FASB staff should consider clarifying this issue and requiring disclosure of amounts recorded, if material, and the line items where such amounts are included.

*Editorial suggestions*

- Paragraph 4 of the proposed FSP states that this FSP does not address the accounting for new waste. To avoid confusion, the FASB staff should consider explaining why the accounting for new waste is not within the scope of this project. The FSP should state explicitly that such costs are to be borne solely by the producers of new electrical equipment, as provided in the Directive.
- In the commercial user example, the proposed FSP provides that upon “the enactment of the legislation, the entity should recognize a liability for the fair value of the asset retirement obligation.” Additional language should be added, similar to the language included in paragraph 7 of the proposed FSP, indicating that a related asset retirement cost should be capitalized as part of the carrying amount of the related asset.
- In the private household example, the last sentence states that the “entity would recognize a liability relating to costs incurred during 2006 as the entity participates in the market in 2006.” The FASB staff should consider clarifying this language to indicate that the costs incurred in 2006 relate only to historical electronic equipment waste, to avoid confusion (particularly as the scope of this FSP deals only with historical waste).