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Financial Accounting Standards Board

Ladies and Gentlemen:

This letter represents my comments on the Proposed Statement of Financial Accounting Standards, "Business Combinations -- a replacement of FASB Statement No. 141." My comments on the specific questions are listed below:

Question 2. The definition of a business is not appropriate. According to paragraph A6, the determination of whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a willing acquirer. And paragraph 5 states that the acquirer shall account for the transaction as an asset acquisition if the assets acquired and liabilities assumed do not constitute a business. Here, the willing party's capability to manage the integrated set as a business plays a very important role in defining a business combination. But the judgment of such capability is subjective, and is determined by the acquirer management. Management can then manipulate net income by defining a particular activity as a business combination or an asset acquisition, whatever is favorable. The manipulation would harm financial analyst's ability to correctly analyze the financial situation. The judgment for an acquiree's ability to manage a particular set of assets and activities as a business would be less subjective.

Question 5. The contingent consideration should be measured on the closing date, which is the date that the acquirer transfers the consideration. Because "uncertainties in the amount and timing of future cash flows to settle an obligation is incorporated directly in its fair value measurement (paragraph B78)", the valuation on the closing date would be more reliable with more information available by then.

Question 6. Since change in fair value results from measurement errors in estimating the occurrence of a specified event, and it is unusual and non-recurring, such change should be included in extraordinary items.

Question 8. A separate valuation allowance for uncollectible amounts is still necessary. Receivable are amounts due from, or on behalf of, all clients for services rendered. These accounts are control accounts and represent the total balance due and would be supported

by individual client ledgers. Hence, uncertainty about collections and future cash follow should be recognized through valuation allowances.

Question 9. According to paragraph 47, the acquirer also shall assess whether each of the acquiree's operating leases are at market terms as of the acquisition date. Since the acquirer have already measured and recognized the asset subject to the operating lease at its acquisition-date fair value, the market term would not influence the acquiree's net assets. There is no need to recognize favorable or unfavorable terms.

Question 10. Reclassifying the amount that was recognized in other comprehensive income is not appropriate. The amount recognized in other comprehensive income represents the situation before the business combination, it should not influence current gain or loss.

Question 13. According to paragraph 66, adjustments to the provisional amounts recognized from identifiable assets and liabilities during the measurement period are generally recognized through an offsetting adjustment to goodwill. To increase the reliability of the financial statements, the offsetting adjustment should generally be to the relevant assets or liabilities.

Question 15. More disclosures are needed.

Paragraph 72i: Not only the amount of any gain recognized in accordance with paragraph 61 should be disclosed, the total benefit, that is, the amount of the fair value of the acquirer's interest over the fair value of the consideration transferred, and the goodwill reduced should also be disclosed.

Paragraph 73a: The acquirer also shall disclose the information required by paragraphs 72a-b for individually immaterial business combinations.

Moreover, the influence of the previous combination to the current financial situation should also be discussed.

I thank the Board for their attention to my comments. I am available to further discuss these points. If you have questions about my comments or wish to discuss any of the matters addressed herein, please do not hesitate to contact me at 404-206-9953 or through nanliuzly@yahoo.com.

Sincerely,

Nan Liu