



PricewaterhouseCoopers LLP
500 Campus Dr.
Florham Park NJ 07932
Telephone (973) 236 7000
Facsimile (973) 236 7200

Letter of Comment No: 5
File Reference: FSPAPB18A
Date Received: 4/27/05

April 25, 2005

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

Re: Proposed FASB Staff Position No. APB 18-a *Accounting by an Investor for its Proportionate Share of Other Comprehensive Income of an Investee Accounted for under the Equity Method in Accordance with APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock," upon a Loss of Significant Influence*

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the proposed FASB Staff Position (the "Proposed FSP") identified above.

We agree with the conclusion reached in the Proposed FSP that an investor should offset its proportionate share of an investee's equity adjustments for other comprehensive income (OCI) against the carrying value of the investment at the time significant influence is lost and the equity method of accounting is discontinued. We also agree with the effective date and transition provisions in the Proposed FSP. However, certain aspects of the FSP should be revised.

- We recommend that the second and third sentences of paragraph 4 of the FSP be modified or deleted. The second sentence could be read to imply that an investment accounted for under the equity method could continue to be subject to the provisions of FAS 115. That sentence states:

The provisions of this FSP do not apply to OCI that was recorded by an investor for an underlying investment accounted for under FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, before or after accounting for that investment under the equity method.

We are not aware of any instances where an investment accounted for under the equity method would continue to be subject to the provisions of FAS 115. Accordingly, the use of the word “after” in that sentence appears incorrect.

Further, even if the word “after” were deleted from the second sentence in paragraph 4, the second sentence would suggest that amounts could still be in OCI that relate to FAS 115 adjustments for investments that are currently being accounted for using the equity method. We believe that OCI that was recorded under FAS 115 before the investment was accounted for under the equity method would no longer exist once equity method accounting is being followed. This is because the investor would be required to retroactively restate the investment as if it had always been accounting for the investment using the equity method in accordance with paragraph 19(m) of APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, thereby removing the previously recorded FAS 115 OCI. Thus, the scenario cited in the last sentence of paragraph 4 is one that we believe would not exist once the investment is being accounted for using the equity method. Accordingly, both the second and third sentences of paragraph 4 should either be deleted or modified to convey these points.

- The scope of the proposed FSP focuses on investee generated OCI. The FSP does not address scenarios where the investee’s functional currency is foreign and the investor company records foreign currency translation adjustments as part of its application of the equity method. We recommend that the proposed FSP clarify that investor generated OCI should be offset against the carrying value of the investment when significant influence is lost.

We appreciate the opportunity to express our views on the Proposed FSP. If you have any questions regarding our comments, please contact Tom Barbieri (973-236-7227).

Sincerely,

PricewaterhouseCoopers LLP