Stacey Sutay

Letter of Comment No: File Reference: 1200-300 Date Received: 12/17/03

Subject: FW: File Reference 1200-300 - Exchanges

----Original Message----

From: Alfred M. King [mailto:alfredking@erols.com] Sent: Wednesday, December 17, 2003 1:49 PM

To: Director - FASB

Cc: Danaher, Mitchell Subject: File Reference 1200-300 - Exchanges

If I understand the proposal, what you are saying is that the *exchange* of an asset is identical with a sale. In your example if the Company sold the building in Ohio for \$3 million it would recognize a gain of \$2 million, irrespective of what it subsequently did with the cash, i.e., bought another warehouse in California.

Now you are saying that a like-for-like exchange is <u>not</u> an exchange! At least for purposes of financial reporting an exchange is no longer an exchange, and has to be treated as a sale, albeit no change in tax consequences.

Is this better accounting or just convergence for the sake of convergence?

As a professional in the valuation business I would submit that a like-for-like exchange and an outright sale are two quite distinct transactions and should not have the same accounting for financial reporting.

I know you do not concern yourself with possible manipulation of financial income through transactions that deal with form, not substance. But in this case you are opening the door wide for form over substance.

Put a different way, what is the *principle* that says a true like-for-like exchange is identical with an outright sale? They are different and should be accounted for differently.

What you really should do to resolve this issue, although I do not recommend it, is to have preparers disclose the true Fair Value of their assets. Then a sale <u>or</u> exchange will have zero impact on reported income.

Alfred M. King Vice Chairman, Valuation Research Corporation