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Ms. Suzanne Bielstein
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Financial Accounting Standards Board
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File Reference No. 1200-300

Dear Ms. Bielstein:

The Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants is pleased to offer its comments on the FASB's December 15, 2003, exposure draft, *Exchanges of Productive Assets—an amendment of APB Opinion No. 29*.

Given the interaction of the accounting for nonmonetary exchanges with the Board's current project on revenue recognition, AcSEC believes that the Board should defer issuance of the proposed amendments until that project is complete. AcSEC notes that the revenue recognition project may identify other, possibly superior methods of accounting for exchanges of productive assets.

Recognizing that the Board may nevertheless move forward with the proposed amendments, AcSEC has the following comments on the exposure draft.

Issue 1: Commercial Substance

The guidance on commercial substance appears to be intended to address potential abuses. AcSEC questions whether such guidance is necessary, particularly in situations in which the fair value of the assets exchanged is reliably determinable. Furthermore, AcSEC notes that there is no similar precondition for the recording of exchanges of monetary assets at fair value and questions the potential ramifications on current and future standards of including a definition of "commercial substance" in the final Statement.

If the notion of commercial substance is retained in the final Statement, however, AcSEC believes the definition should be improved. AcSEC is concerned that the definition in the exposure draft may not be operational. For example, it is unclear how the "risk" related to the configuration of expected future cash flows would be quantified and included in the proposed cash flow calculation. AcSEC believes commercial substance should be defined more broadly, without reference to cash flow tests.

The Board should clarify the requirement that commercial substance must not be predicated on tax cash flows that arise solely because the tax business purpose is based on achieving a specified financial reporting result. Some AcSEC members read the exposure draft to require a business purpose other than achieving tax benefits, while other AcSEC members read the exposure draft to allow tax benefits to be considered in certain instances.

Issue 2: Scope Exceptions

AcSEC agrees with the scope exceptions relating to FASB Statement No. 19 (proposed new APB Opinion No. 29 paragraphs 3(f) and 3(g)). AcSEC notes that proposed new paragraph 3(e) would diverge from current International Financial Reporting Standards (IFRS). AcSEC also notes that, if the proposed paragraph 3(e) is added to Opinion No. 29, it is unclear what the applicable accounting guidance would be for such transactions.

Issue 3: Real Estate Transactions

AcSEC agrees that nonmonetary exchanges of real estate should continue to be accounted for under APB Opinion No. 29.

Issue 4: Amendment of FASB Statement No. 140

AcSEC disagrees with the Board's proposal to eliminate the scope exception in FASB Statement No. 140 for exchanges of equity method investments for similar productive assets. AcSEC believes equity method investments are more akin to nonmonetary assets than to monetary assets and as such should be accounted for under APB Opinion No. 29.

Other Matters

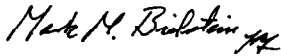
AcSEC also has the following concerns and recommendations:

1. The Board should consider whether the proposed amendment to the end of paragraph 3(c) of APB Opinion No. 29 is overly restrictive. AcSEC believes the issue warrants consideration especially because exchanges of real estate are within the scope of the proposed Statement. (AcSEC also notes that the proposed amendment diverges from IFRS.) Paragraph 5 of FASB Statement No. 66, *Accounting for Sales of Real Estate*, requires that the seller not have "substantial continuing involvement" in order for a sale of real estate to be recognized. The Board should consider whether similar wording should be included in the final amendments.
2. AcSEC notes that the proposed amendments do not nullify Issue 8(a) of EITF 01-2, "Interpretations of APB Opinion No. 29." Under Issue 8(a), if the boot in a transaction is less than 25 percent of the fair value of the exchange, the pro rata gain recognition in paragraph 22 of APB Opinion No. 29 should be applied to the receiver of boot, and the payer of boot would not recognize a gain. AcSEC notes that under IFRS the level of boot in an exchange transaction is not relevant to whether or not the transaction should be recognized at fair value. AcSEC also notes that under the proposed amendments, if a transaction has "commercial substance," it would be recognized at fair value regardless of the level of boot involved.

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We appreciate the opportunity to comment on the exposure draft. Representatives of AcSEC would be pleased to discuss our comments with the Board members or staff.

Sincerely,



Mark M. Bielstein, Chair
Accounting Standards Executive Committee



D.J. Gannon, Chair
Short-Term International Convergence Task Force