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Ms. Suzanne Bielstein
Director of Major Projects and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
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Norwalk, CT 06856-5116

Re: File Reference 1200-300

Dear Ms. Bielstein,

ALLTEL Corporation ("ALLTEL") would like to offer its comments on the Proposed Statement of Financial Accounting Standards, "Exchanges of Productive Assets, an amendment of APB Opinion No. 29" (the "Proposal"). ALLTEL supports the Financial Accounting Standard Board's initiative to converge U.S. generally accepted accounting principles with accounting standards developed by the International Accounting Standards Board. With respect to the overall conclusion reached in the Proposal, we agree that exchanges of nonmonetary assets should be accounted for based on the fair values of the assets involved, unless the exchange transaction lacks commercial substance. However, we have the following concerns related to the Proposal's specified methodology for determining "commercial substance":

- The information needed to perform the two-step calculation to determine whether a transaction has commercial substance discussed in paragraph 21 of the Proposal may not be readily available in many circumstances.
- The Proposal does not allow for consideration of qualitative factors when determining whether a transaction has commercial substance.

Calculation of Commercial Substance

Under the Proposal, commercial substance is determined based on the outcome of a two-step calculation that hinges on whether cash flows of an entity are expected to change as the result of completion of the exchange transaction, and if so, whether the differences in those cash flows as compared to the cash flows of the entity before the exchange transaction are significant in relation to the fair value of the assets being exchanged. However, the Proposal provides little guidance on calculating the change in expected cash flows of the entity. In the case in which an entity is exchanging an interest in an equity method investment for a similar interest in another equity method investment (the transaction contemplated in EITF Issue No. 98-7, as superseded by EITF Issue No. 01-2), calculating the cash flows to be generated by the entity both before and after the transfer would not be difficult given that the assets being exchanged would generate independent cash flows.

In an exchange transaction involving other productive assets, such as office buildings used as a corporate headquarters, it may be extremely difficult, if not impossible, for a company to determine the effect of the exchange transaction on its cash flows. In Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the FASB recognized the difficulty in separately identifying cash flows attributable to specific assets in addressing how to perform an impairment test on assets that are to be held and used. Paragraph 10 of SFAS No. 144 requires assets to be

held and used to be “grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities” for purposes of determining whether those assets are impaired. In addition, in the basis for conclusions (paragraph B46), the FASB acknowledged that in some instances, because some assets do not generate independent cash flows, the cash flows of the entire entity must be considered when testing that asset for impairment. In order to determine the change in its cash flows resulting from an exchange of productive assets, an entity must be able to determine the amount or configuration of cash flows to be generated by both the old asset and the new asset. However, if those cash flows are not independent of the cash flows of other assets, it becomes inherently difficult, if not impossible, to quantify that change. As a result, ALLTEL believes that transactions involving the exchange of similar productive assets that are not considered an asset group(s) under SFAS No. 144 will likely continue to be accounted for at the carrying value of the asset surrendered because the calculation to determine commercial substance cannot be reasonably quantified.

Definition of Commercial Substance

ALLTEL believes that the Proposal also should include a definition of the term “commercial substance”. Currently, this term is defined only within the context of discussing the required calculation for determining whether a transaction has commercial substance. In addition to clarifying the intent of the standard, we believe that defining “commercial substance” would strengthen the inherent principles of the standard to ensure that exchange transactions constructed upon sound business practices be recorded at fair value.

To address those instances in which it may be inherently difficult or even impossible to calculate a change in expected cash flows resulting from an exchange of productive assets, the Proposal should include a list of qualitative factors to be considered when determining whether a transaction lacks commercial substance. For example, such factors as management’s business strategy, expected uses of the new asset as compared to the old, or other indicators could be used to determine whether or not a transaction has commercial substance. In the example discussed above regarding the exchange of office buildings used in corporate operations, management may have a strategy of relocating certain corporate functions to better separate those functions from the operations, thereby emphasizing the independence of those functions, or of locating those functions to a geographic area with a larger talent pool. In either case, if management effects the move through an exchange of similar assets, the exchange transaction is based upon a sound business decision, yet the expected cash flows of the entity may not change significantly as a result of completing the transaction. We believe that allowing commercial substance to be defined qualitatively as well as quantitatively would result in an accounting treatment that is more consistent with the principles underlying the Proposal.

We appreciate your consideration of our comments.

Sincerely,

Sharilyn Gasaway
Controller