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April 13, 2004

Letter of Comment No: 20
File Reference: 1200-200
Date Received: 4/13/04

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

RE: File Reference 1200-400, Accounting Changes and Error Corrections
File Reference 1200-300, Exchanges of Productive Assets
File Reference 1200-200, Earnings per Share
File Reference 1200-100, Inventory Costs

Dear Ms. Bielstein:

We appreciate the opportunity to provide comments on the four Exposure Drafts (EDs) that were recently issued as part of the FASB's short-term convergence project.

We welcome the FASB's efforts at convergence with International Financial Reporting Standards (IFRS) and the commitment of both the FASB and the International Accounting Standards Board (IASB) to achieving global consistency in accounting standards. Although the four EDs propose only minor changes in accounting, we recognize their importance in improving comparability between users of US GAAP and users of IFRS.

Our specific comments on the EDs are included below.

Accounting Changes and Error Corrections

The ED on Accounting Changes and Error Corrections proposes that the default method for adopting a newly issued accounting pronouncement be retrospective application, though it indicates that in some cases special transition provisions may be required by the new pronouncement itself. While we recognize the FASB's goal of improving interperiod comparability via retrospective application of newly issued pronouncements, we appreciate the Board's retention of the option for allowing prospective application or other methods as may be appropriate, depending on the new pronouncement. We ask that the Board continue to consider the practicality of retrospective application of newly issued pronouncements on a case-by-case basis to avoid placing undue burden on preparers of financial statements.

Exchanges of Productive Assets

We support the clarification of APB Opinion No. 29, *Accounting for Nonmonetary Transactions* (APB 29), to indicate that a transfer of a nonmonetary asset is not an exchange unless the transferor has no continuing involvement in the transferred asset. This clarification improves consistency with existing US GAAP guidance, notably that addressing transfers of real estate assets (FASB Statement No. 66,

Accounting for Sales of Real Estate, (FAS 66)). Consistent with FAS 66, however, we believe the clarification should make reference to no *substantial* continuing involvement to ensure the practicability of the final guidance.

We believe that it is appropriate to continue to exclude exchanges of real estate from the scope of FAS 66 as the guidance in APB 29 is more relevant where little or no monetary assets or liabilities are involved.

We concur with the elimination of the previous APB 29 scope exception for exchanges of similar productive assets. Provided fair value is reliably determinable (and the exchange does not lack commercial substance or occur to facilitate sales to customers), it is appropriate to record these exchanges at fair value, similar to other types of exchanges. We believe it is appropriate that the two-step test for commercial substance considers the entity-specific effects of an exchange, as such effects are the most relevant motivation behind an entity's decision to enter into an asset exchange.

Under the proposed amendments to FASB Statement No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets*, (FAS 144) it is not clear how assets to be exchanged for similar productive assets would be treated when the exchange will be accounted for at fair value. The proposed changes seem to indicate that assets to be exchanged should not be considered assets to be disposed of other than by sale (which would continue to be regarded as held and used) except in the case of asset exchanges that would not be recorded at fair value. There is no specific indication, however, that assets to be exchanged at fair value should be accounted for similar to assets to be disposed of by sale. We would appreciate clarification on the appropriate impairment accounting for assets to be disposed of by exchange at fair value.

Earnings per Share

We support the requirement to assume that contracts that provide the option for settling in either shares or cash will be settled in shares. The elimination of the ability to rebut the presumption of share settlement will improve consistency, among users of US GAAP as well as with users of IFRS. We also concur with the clarification regarding the computation of incremental shares in diluted EPS. We believe that the proposed year-to-date method is preferable as it gives a consistent result regardless of how often interim reports are issued.

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We would like to reiterate our support for the FASB's efforts towards international convergence. If you have any questions regarding this letter, please call me (212-250-2660) or Rita Markey (212-250-1074) or send an electronic message to accounting.policygroup@db.com.

Very truly yours,

Peggy H. Capomaggi
Managing Director – Accounting Policy