INSTITUTE OF MANAGEMENT ACCOUNTANTS

Advancing the Profession™

EITF00-19B

LETTER OF COMMENT NO. 7

December 4, 2006

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

Re: Proposed FSP Accounting for Registration Payment Arrangements

Dear Mr. Smith:

The Financial Reporting Committee (the "Committee") of the Institute of Management Accountants appreciates the opportunity to provide its views to the Financial Accounting Standards Board (the "FASB") proposed FSP on *Accounting for Registration Payment Arrangements.*

This FSP specifies that the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be separately recognized and measured in accordance with FASB Statement No. 5, *Accounting for Contingencies* ("FAS 5") and not measured in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* or FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.*

We strongly agree that such contingent obligations should be measured in accordance with FAS 5. In addition, we strongly agree with the views expressed in paragraph B7 by certain Board members regarding the relevance and reliability of using a fair value measurement attribute for registration payment arrangements. Accordingly, we support the issuance of this proposed FSP as soon as possible to address this issue. We would, however, encourage the Board to undertake a project addressing other similar types of commercial arrangements as it is unclear to us why this guidance should not be applicable to arrangements with similar characteristics. For example, it is unclear why the guidance in this proposed FSP should not be applicable to the arrangement described in paragraph B4 in which a building contract includes a provision requiring that the contractor obtain a certificate of occupancy by a certain date or pay a penalty every month the certificate of occupancy is not obtained.

We also had the following other minor comments on the proposed FSP:

- It is not clear in Example 3 of the proposal why the incremental interest is accrued for up front instead of being accrued for through an adjustment of yield (which would have been the accounting if the company did not publicly register its debt).
- In Example 5 we believe the credit side of the journal entry should be $2 to retained earnings and $2 to additional paid in capital and not $4 to retained earnings.

Should you have any questions you may contact me at 212-484-6680.

Sincerely,

Pascal Desroches
Chair, Financial Reporting Committee