



800 CONNECTICUT AVE., N.W.  
WASHINGTON, D.C. 20006-2701  
TELEPHONE: 202/452-8444  
FAX: 202/429-4519

Mr. Timothy S. Lucas  
Director of Research and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

**Letter of Comment No:** 143  
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Proposed Statement of Financial Accounting Standards,  
"Consolidated Financial Statements: Policy and Procedures"  
(File Reference No. 154-D)

Dear Mr. Lucas:

The Food Marketing Institute (FMI) is pleased to provide our views and concerns on the FASB's Exposure Draft, *Consolidated Financial Statements: Policy and Procedures* (the ED).

The Food Marketing Institute (FMI) is a nonprofit association conducting programs in research, education, industry relations and public affairs on behalf of its 1,500 members including their subsidiaries- food retailers and wholesalers and their customers in the United States and around the world. FMI's domestic member companies operate approximately 21,000 retail food stores with a combined annual sales volume of \$220 billion- more than half of all grocery store sales in the United States. FMI's retail membership is composed of large multi-store chains, small regional firms and independent supermarkets. Its international membership includes 200 members from 60 countries.

The ED proposes to replace the long-standing objective, verifiable ownership interest test, with a new subjective facts and circumstances test requiring consolidation when one entity has "effective control over another." This new statement would not improve financial reporting and it would unnecessarily increase administrative and compliance costs. Moreover, retroactively reversing more than 35 years of sound accounting practice is unreasonable, if not punitive.

Specifically, FMI is concerned with the illustration contained in Appendix B, Example 5 on special purpose leasing entities (SPE). Many supermarkets finance new store construction with operating leases held by a real-estate development partnership which is separate from the supermarket business. Consolidation would be required by the ED under example 5 because the real-estate partnership was established for the sole purpose of constructing and managing stores to be leased to the Company, even when the supermarket company has no legal control over the leasing entity and where the creator of the SPE does not view itself as controlling the SPE.

We believe this treatment is inappropriate and unwarranted. It penalizes those companies using this method of financing stores. In many cases these are small, family owned companies. Accounting standards should provide a clear and uniform standard applicable to all entities. Example 5 of the ED fails this test. Accordingly, it should be modified. We appreciate the opportunity to express our views.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Hammonds', with a stylized flourish extending to the right.

Tim Hammonds  
President and CEO