



ACADEMIC EXCELLENCE
**GEORGIA
SOUTHERN**

COLLEGE OF BUSINESS
GEORGIA SOUTHERN UNIVERSITY
LANDRUM BOX 8141
STATESBORO, GEORGIA 30460-8141
TELEPHONE (912) 681-5678

DEPARTMENT OF ACCOUNTING

Letter of Comment No: 113

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Financial Accounting Standards Board
File Reference 154-D
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Consolidated Financial Statements: Policy and Procedures

The Audit and Accounting Committee of the Georgia Society of CPAs is pleased to submit this response to the Exposure Draft on Consolidated Financial Statements. Our comments have been read and authorized by the Committee. The role of our Committee is to act as an advocate for Georgia Society members in matters effecting their practice of public accounting. This response is being provided in furtherance of our objective.

The Committee has reviewed the exposure draft related to consolidated financial statements. In general we support the exposure draft. The theoretical basis for consolidations and the format presentations are based on a strong conceptual basis of reporting. However, the Committee feels that there are certain implementation questions that should be considered prior to issuance and implementation of the standard.

While the concept of control may be difficult at best to determine for some subsidiaries, the exposure draft provides little direction in the application of the standard. Further, businesses that have limited ownership but contractual control, e.g. a 1% General Partner in a partnership where all other partners are limited, should not be required to consolidate. Users may be confused by seeing on the face of the financial statements substantial assets and liabilities in which the business has only a very limited financial interest. We recommend that the standard provide for disclosure of such situations rather than requiring consolidations. In a related area, the economic unit concept rather than the parent company approach may present certain problems for companies that are consolidating subsidiaries particularly if the subsidiaries were acquired through step acquisitions. We believe that the Board should provide more direction on control in a concurrent Guide or in the Statement.

Smaller businesses that create partnerships for individual projects will find this exposure draft difficult in application. For companies with assets that are less (to be determined by the Board) than a certain amount, the effective date of the exposure draft should be deferred for one year.

Additionally, the Board should address the provisions of SOP 94-3 and the effect of the proposed statement on this Statement of Position.

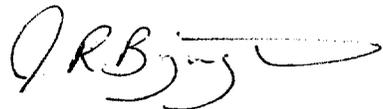
If you have any questions about this response, please contact one of the following Committee members:

Chris Rouse, Chairman
Mauldin & Jenkins
P.O. Box 2247
Augusta, GA 30903
(703)722-6000

J. Ralph Byington
Department of Accounting
Georgia Southern University
L.B. Box 8141
Statesboro, GA 30460
(912)681-5061

We appreciate your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Ralph Byington". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

J. Ralph Byington, CPA, Ph.D.