

Donaldson, Lufkin & Jenrette

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Mr. Timothy S. Lucas
Director, Research and Technical Activities
Financial Accounting Standards Board
File Reference 154-D
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Mr. Lucas:

Donaldson, Lufkin & Jenrette, Inc. ("DLJ") appreciates the opportunity to comment on the FASB's Exposure Draft of the proposed Statement of Financial Accounting Standards entitled Consolidated Financial Statements: Policy and Procedures. As a large financial institution in the brokerage industry, we support the Board's efforts to improve standards of financial accounting and reporting. However, we are concerned that consolidation when a parent has an insignificant beneficial interest in the subsidiary may diminish the relevance of the financial statements. Presented below are brief comments outlining our position on some of the key proposals in the Exposure Draft.

Control of an Entity

We do not support the Exposure Draft's fundamental premise that the existence of control alone is sufficient to require consolidation. It is our opinion that control, together with some level of equity ownership should be considered when assessing the applicability of consolidation. We concur with the view expressed by one Board member in paragraph 142 that the powers of a 1 percent general partner in a limited partnership investment arrangement may be identical to those of a mutual fund manager who is excluded from the proposed consolidation requirements. In both of these situations the managers have the ability to use or direct the use of individual assets, yet the proposed Exposure Draft is not applied consistently to both situations. In addition, we fail to see the benefits of including in the consolidated financial statements, the assets, liabilities, revenues, expenses, gains, losses and cash flows of a limited partnership where there is a 99% non-controlling interest.

Temporary Control

As noted in paragraph 88, the Board will retain the temporary control exception to consolidation. We support the Board's conclusion with respect to this matter. It is our opinion that the definition of temporary control would be enhanced by including reference to management's intent, rather than defining it solely in terms of the period of disposition. The proposed one year disposition standard will encumber certain financial statements with information that is not central to the entity's ongoing operations.

The proposed Exposure Draft would require DLJ to consolidate certain investments resulting from its merchant banking activities that are clearly held for investment purposes and which are not central to ongoing operations. Such merchant banking portfolio investments are not consolidated under current accounting practices, rather they are carried at fair value in the consolidated financial statements. Control is deemed to be temporary in that it is our intention to profit from the ultimate disposition of the investments rather than from their ongoing operations. Control is generally not relinquished within the time frame specified by the proposed statement. We share the view described in paragraph 96 and therefore suggest that the Board consider broadening its proposed definition of temporary control to encompass the intentions of management for the purpose of distinguishing investments from subsidiaries. We strongly believe that consolidation of the assets, liabilities, revenues, expenses, gains, losses and cash flows of these entities would reduce the relevance and usefulness of the financial statements to the readers and shareholders.

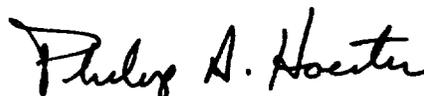
Conforming Accounting Policies and Fiscal Periods

The proposed Exposure Draft will require consolidated financial statements to be prepared using accounting standards that apply to all entities within the consolidated group. We believe that specialized industry accounting practices are as relevant in the consolidated financial statements as in the stand-alone financial statements. Eliminating specialized accounting practices in consolidation would reduce the comparability of financial information. For example, the statement would require the comparable broker-dealer operations to apply different accounting practices dependent upon the industry in which the parent operates. We believe this requirement would diminish the readability of the financial statements and confuse the users.

Furthermore, the Exposure Draft proposes to eliminate the guidance in ARB 51 which allows for a difference in the consolidated financial statements of three months between the subsidiary's fiscal year end and the parents fiscal year end. This Exposure Draft requires a sole general partner with a 1% equity interest to be consolidated. We believe it is impractical to presume that the sole general partner can control the timeliness of financial information received from the limited partnership and therefore, we urge the Board to reconsider its position on this matter.

We appreciate the opportunity to comment on the proposed Exposure Draft and would be pleased to discuss our comments with you, other members of the FASB staff, and Board members.

Very truly yours,



Philip A. Hoerter