



Letter of Comment No: 108

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

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Dear Sir:

This letter is in response to the Exposure Draft issued on October 16, 1995, entitled "Consolidated Financial Statements: Policy and Procedures." Specifically, we would like to comment on the effects of the proposed consolidation policies on sole general partnership interests in a limited partnership.

Paragraph 14, "Assessing the Existence of Control," states that absent evidence to the contrary, one entity shall be presumed to have effective control of another if that entity, directly or indirectly through its subsidiaries, is the sole general partnership interest in a limited partnership. This would lead to the consolidation of certain limited partnerships with the general partner's financial statements.

In the investment industry, it is common for an entity to facilitate the formation of a limited partnership as an investment alternative for clients. The entity (or a subsidiary thereof) will typically own a nominal percentage (i.e., 1%) and serve as the general partner. While the general partner is responsible for day-to-day management of the partnership's assets, for which a fee is involved, the business strategy and limits of authority are clearly set forth in the partnership agreement. Any amendment to this agreement requires a vote of the limited partners, thus the general partner's control is narrow in scope and presumably not of a nature which would require consolidation pursuant to this exposure draft. For example, the sale or refinancing of major assets would normally require limited partners' approval.

Further, to require consolidation of limited partnerships with the sponsoring entity's financial statements will grossly distort the latter. In our own case, as an example, the exposure draft as written would require a financial services holding company to consolidate the statements of numerous real estate limited partnerships. The resultant statements will not only be confusing, but would actually be misleading as to the nature of our business. We own only a nominal percentage of these assets and derive a very small proportion of our revenues from these activities, yet consolidation will make it appear as though real estate investment is a significant segment of our business. This picture gets clouded even

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further for sponsoring entities who are involved in the syndication of oil and gas, equipment leasing, and other types of investor partnerships.

While most of the tests set forth in paragraph 14 have merit, some further refinement is necessary for the partnership area. Although no specifics are mentioned, the proper solution is that put forth by the "dissenting" Board member in paragraph 141, around which quantitative tests could be designed.

In the interests of maintaining meaningfulness in the sponsoring entity's financial statements without an inordinate amount of supplementary disclosure, we suggest that investor limited partnerships as described above should be excluded from the consolidation requirements of this exposure draft.

Sincerely,



Jeffrey P. Julien
Chief Financial Officer