## Certified Public Accountants and Consultants



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

Altschuler, Melvoin and Glasser LLP is pleased to have the opportunity to comment on the Proposed Statement of Financial Accounting Standards--Consolidated Financial Statements: Policy and Procedures (Exposure Draft). While we support many of the provisions of the Exposure Draft, we are opposed to the issuance of the Exposure Draft in its present form because of the requirement to consolidate a limited partnership controlled by a general partner having only a small equity interest (inclusive of any limited partnership interests held by affiliates) in the limited partnership, as outlined in paragraph 14f of the Exposure Draft. When the assets, liabilities and non-controlling interest of such partnerships are included in the parent's financial statements, we believe the resultant financial statements become meaningless to the parent company's equity holders and other financial statement users.

Our primary objection relates to the conclusion that the general partner controls the limited partnership. Paragraph 11 states, "A controlling entity can use or direct the use of the individual assets of its subsidiary in ways that enable it to obtain the service potential or future economic benefit inherent in those assets. That power enables a parent to use its subsidiary's assets for the parent's benefit." We do not believe that a general partner is able to "obtain the service potential or future economic benefit inherent in those assets" nor use the limited partnership's assets "for the parent's benefit" in most limited partnerships where it has only a small equity interest (inclusive of any limited partnership interests held by affiliates). We do not believe that the general partner controls the limited partnership under the foregoing circumstances and, therefore, the limited partnership should not be consolidated with the general partner's financial statements.

We believe the general partner has a fiduciary responsibility to the limited partners. This responsibility prevents the general partner from obtaining the future economic benefit inherent in those assets or from using the assets solely for the general partner's own benefit. This relationship is equivalent to that of "managers and managed entities" and "fund managers and mutual funds" outlined in paragraphs 161 and 162 of the Exposure Draft. We agree with the conclusions in paragraph 161 and 162 that these entities should not be consolidated and believe that this conclusion should be extended to not require consolidation of limited partnerships by



FASB File Reference 154-D January 10, 1996

Page 2

a general partner with only a small equity interest (inclusive of any limited partnership interests held by affiliates) in the limited partnership. Therefore, we do not agree with the conclusion reached by the Board in paragraphs 182-187 of the Exposure Draft. Specifically, if Company C directed the use of the limited partnership's assets in a way that did not benefit the limited partners proportionately, the limited partners would have a cause of action against the general partner for breach of fiduciary duty.

In summary, our position is essentially the same as the Alternative View of one board member presented in paragraphs 141 and 142 of the Exposure Draft.

We would be pleased to discuss our comments and recommendations with members of the FASB or its staff.

Very truly yours,

Altschuler, Helvoin Et Blasser by Houard (Stone, Managing Parker