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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

Proposed FASB Agenda Projects

Dear Mr. Lucas:

We support the FASB's proposals for new agenda projects on Reporting Information About the Financial Performance of Business Enterprises and on Disclosure of Information About Intangible Assets Not Recognized in Financial Statements. However, although we believe that both projects are timely topics for the FASB to address, neither project, in our view, is as important as a comprehensive Board project on revenue recognition. For several years, as part of the Annual FASAC Survey, we have indicated that revenue recognition should be the Board's first priority. The subject continues to take up much of the EITF's time and continues to be the major cause of financial statement restatements. As is obvious from the past year's efforts, the subject is too pervasive for the EITF to handle and the FASB should be an important thought leader in this important area, even if the International Accounting Standards Board (IASB) places the topic on its agenda. Further, we believe that the Board could effectively address revenue recognition without comprehensively addressing liability recognition.

With regard to the project on financial performance, we believe that the FASB should be responsive to many companies' increasing use of non-GAAP earnings measures and explore the possibility that by improving the classification and display of information, financial statements would be more useful. The volume of companies that discuss alternative earnings measures in the financial press suggests that existing GAAP earnings measures may not be sufficient. For example, in a recent quarter we identified almost 2,000 companies that reported alternative earnings measures in press releases. Further, we support the narrow scope approach tentatively adopted by the Board and caution the Board to avoid temptation to expand its scope. We believe that the FASB should focus on defining the various elements of financial performance, including clearer delineation between core and non-core earnings. what constitutes an extraordinary item, better ways to display volatility and interrelate the cash flow and income statements.

In fact, after considerable efforts of the ETTF over the last two weeks to clarify which gains or losses from the September 11, 2001 terrorist attacks should be considered extraordinary, the Task Force concluded that the best way to achieve the objective would be to not use extraordinary classification for any of the effects of these particular events. Thus, the Task Force's difficulty in making the guidance for extraordinary classification operational may

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lead the FASB to challenge the appropriateness of that aspect of APB 30 and provides further impetus for this project.

In addition, we support the minimum scope approach because it best aligns with the scope of the IASB project on financial performance and thus offers a good opportunity to achieve international convergence.

Intangible assets have received a lot of attention recently, and thus we support the FASB adding to its agenda a project to establish standards for improving disclosure of information about intangibles. Concerning the scope of the project, we believe that it should be narrow and limited only to those intangibles that would have been recognized had they been acquired separately, in a group or in a business combination, including in-process research and development assets.

Further, in our view, these disclosures should be required, not voluntary, and apply only to the full set of financial statements and notes presented in annual financial reports. The scope should only include those intangibles that are easily measurable and do not require the use of outside valuation specialists. We do not believe that the focus at this time should be on the valuation of internally generated assets, but rather on disclosure.

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