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Letter of Comment No: 45  
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Financial Accounting Standards Board  
Director of Research and Technical Activities  
File Reference No. 194-B  
401 Merritt 7, P. O. Box 5116  
Norwalk, CT 06856-5116

Re: Comment letter on Proposed Statement of Financial Accounting Standards *Consolidated Financial Statements: Purpose and Policy*

I am writing to express my opinions regarding the above referenced Exposure Draft ("ED"). While I support the Board's views, I believe some clarification is needed in a few provisions of the ED.

- I recommend that the last sentence of paragraph 9 should be amended to read as follows: "Once a subsidiary is consolidated, it shall continue to be consolidated until the parent ceases to control it." An entity could continue to be *included in the consolidated financial statements* after a parent ceases to control it, perhaps as an equity investee or a marketable security carried at fair value; it just would not be consolidated. I believe this change will clarify the Board's intent without getting into the issue of how to account for the entity once control no longer exists, which I hope will be covered in the Board's upcoming ED concerning consolidation procedures.
- To clarify that both of the conditions in paragraph 11(a) and 11(b) are essential elements of control, I recommend the word "and" be added at the end of subparagraph (a).
- I believe certain EITF Issues, such as No. 96-16, would be amended or superseded upon the effectiveness of the ED, and I recommend they also be listed in Appendix C.
- I recommend that a sentence be added at the end of paragraph 68 to affirmatively state, for clarity purposes, that the provisions of the ED are consistent with the EITF consensus concerning physician practice entities and physician practices discussed in paragraph 68.
- In light of the Board's recent vote to defer the effective date of SFAS No. 133 for one year due to concerns about addressing Y2K issues, I recommend that paragraph 26 be amended to revise the effective date to fiscal years starting after December 15, 2000 or, alternatively, fiscal years starting after June 15, 2000.

Thank you for your consideration of these comments and suggestions.

Best regards,

  
Greg Swalwell