From: Sent: To: Subject:



LETTER OF COMMENT NO. 1

R-a

----Original Message----

From: Dennis Beresford [mailto:dberesfo@terry.uga.edu]

Sent: Wednesday, June 21, 2006 11:28 AM

To: Director - FASB

Subject: Comments on Proposed FASB Staff Position No. AUG AIR-a

Director,

This message represents my comments on the proposed FASB Staff Position on "Accounting for Planned Major Maintenance Activities." The proposal would eliminate the accrue-in-advance method of accounting for planned major maintenance activities while leaving intact other methods from the AICPA Guide on Audits of Airlines. The only reasoning given for this position is that "The Board believes that the accrue-in-advance method of accounting for planned major maintenance activities results in the recognition of liabilities that do not meet the definition of a liability in FASB Concepts Statement No. 6, Elements of Financial Statements."

I believe that the Board (and Staff) owes its constituents a better explanation of its reasoning. For other recent projects, the Board has adopted somewhat creative interpretations of the definition of a liability that many constituents believe are not consistent with the language in the Concepts Statements. For example, in FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," the Board requires accrual of certain amounts in cases where future cash payments may be highly unlikely. In the current proposal, accrual would be prohibited even though cash payments are virtually assured in some cases because of safety regulations or otherwise. It may be that Board members feel that the "obligating events" in these two situations are different. If so, that should be stated clearly.

I am sure that Board members would automatically reject a constituent argument that a certain matter meets or doesn't meet a definition without further explanation, and in the interest of fair play the Board should meet that same standard. If one of my students turned in a paper with so little reasoning for a position taken, the paper would receive a pretty poor grade.

Dennis R. Beresford Ernst & Young Executive Professor of Accounting The University of Georgia