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Letter of Comment No: 25  
File Reference: 1123-001  
Date Received: 9/19/01

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September 19, 2001

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

Attention: Ms. Stacey Sutay

RE: Disclosure of Information about Intangible Assets  
not recognized in Financial Statements

Dear Ms. Sutay:

The Board has requested comments about the objective and scope of the above project as well as a proposed project on recording financial performance. This letter summarizes my comments on the proposal relating to intangible assets. These comments come from a non-accountant with limited knowledge of many of the technical issues imbedded in the project. However, I do have several comments which may be helpful to the Board as it considers whether it should address the reporting of information about intangibles.

As the Board points out, there has been an enormous amount of intellectual effort directed at the apparent failure of accounting and GAAP to respond to recent fundamental changes in the economy. These studies and reports have been summarized in Wayne Upton's well-written New Economy Report which provides an important starting point for answering many of the questions posed by the Board in its request for comments.

I have a preliminary comment which does not relate to the substance of the project but focuses on the financial markets which have been a major factor in generating the current interest in intangibles. The events of the past week demonstrate that the "unseen wealth" represented by the difference between market capitalizations and book values has turned out to be extremely volatile and, in

some cases, ephemeral. If we continue in a grinding bear market, more of this "unseen wealth" will dissipate. Under these circumstances, this project assumes less urgency as the discrepancy between market capitalization and book value continues to narrow.

By this preliminary comment, I do not mean to dismiss the issues inherent in the proposal - issues that will remain despite market fluctuations. These issues are important and the intellectual energy directed at understanding and analyzing them have raised fundamental questions about the purposes of accounting. However, at the risk of oversimplification, I think it would be unwise at this time for the Board to venture into this project. It seems to me that accounting for the foreseeable future has to remain transaction or event based and that intangibles should continue to be recognized only as a result of a transaction or event. To go further requires a whole new framework for accounting or, if not a whole new framework, at the very least a departure from transaction or event based accounting. I'm not sure that the Board wants to wade into this quagmire. Therefore, my answer to the first question in your request for comments is that the FASB should not take the lead on this project and that it should defer to others for the reasons stated below.

My major comment is directed at who should take on this project and how it should be executed. It seems to me that accountants and the FASB have gotten a bad rap from their critics. The issue of recognizing intangibles has to start with improving disclosure and making securities analysts more effective intermediaries in using this information. As the Report points out, disclosure is not a substitute for recognition. But disclosure may lead ultimately to recognition.

In my view, the analyst community, together with the SEC, should take the lead in improving disclosure of information about intangibles rather than shifting this burden to the accounting community. If the analyst community is doing its job, intangibles should be a major focus in probing management about their businesses. This debate provides an opportunity to place more emphasis on the responsibility of analysts to dig out information about intangibles. I have been amazed over the years about how analysts often fail to ask questions about the key drivers of a business. As the New Economy Report emphasizes, information about intangibles is idiosyncratic to a business sector or to individual businesses - all the more reason why the facts about intangibles have to be pursued by analysts.

The issues of what further information should be disclosed by the corporate community, the interaction of Regulation

FD and the internet in disseminating that information, and the role of the accounting profession in monitoring and authenticating the processes by which that information is produced - all these issues and others need to be addressed by the entire financial, corporate and accounting communities under the leadership of the SEC.

To summarize my comments:

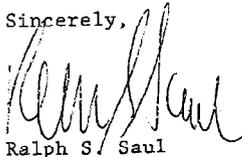
First, I would advise the Board to give this project a low priority (unlike its companion project on financial performance).

Second, the Board should defer to others and at the same time tell the public why it is doing so.

Third, the SEC should take the lead in bringing together all of the constituent communities concerned about intangibles. In particular, it should use its convening power to convey the message that securities analysts must do a better job as intermediaries for the investing public in developing and analyzing the facts about intangibles.

Finally, there should be an agreement on what aspects, if any, of the intangibles issue should be addressed by the Board (e.g. research and development).

Sincerely,



Ralph S. Saul