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DEPARTMENT OF ACCOUNTING,
TAXATION & BUSINESS LAW

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PAUL R. BROWN
Chairman

September 11, 2001

Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: Disclosure of Information about Intangible Assets Not Recognized in Financial Statements

Dear Tim,

I am pleased to respond to the proposal for a new agenda project to establish standards for improving disclosure of information about intangibles that are not recognized in financial statements.

In summary, I strongly support the addition of this project to the FASB agenda. In this era of increasing suspect about the relevance of financial statement data currently provided, systematic disclosures related to a firm's intangible assets are direly needed. I applaud the FASB for recognizing the importance of this topic, and believe that it strongly satisfies the Board's list of factors for determining whether a topic should be placed on its agenda.

In response to the four questions included in the August 17, 2001 request for comments about the objective and scope of this project, let me just make one specific point related to Question 2. The question states, "Is the proposed scope of such a project as described in this Proposal insufficient, appropriate, or too ambitious?"

I believe that the proposed scope is appropriate, but needs to be augmented with a re-consideration of the research and development (R&D) disclosures as currently required under Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs." Note that I suggest re-consideration of the *disclosure*, not measurement, rules promulgated in that standard. SFAS#2 became effective in the early 1970s, over twenty-five years ago in a time when R&D expenditures were defined in terms substantially different than those of today. Many firms' intangible assets of the 21st century-partially captured by their R&D expenditures-simply do not fit the R&D disclosure categories discussed in SFAS#2. As a result, many R&D expenditure disclosures are either inadequate, inconsistent across firms and industries, and/or simply missing because of the definitional limitations of SFAS#2.

Please contact me if additional information or clarification of my input is needed.

Regards,

