

FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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July 22, 2008

LETTER OF COMMENT NO. 196

Financial Accounting Standards Board of the Financial Accounting Foundation 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

Via email to director@fasb.org File Reference No. 1600-100

Re: Exposure Draft - Proposed Statement of Financial Accounting Standards: Disclosure of Certain Loss Contingencies (an amendment of FASB Statements No. 5 and 141(R))

Dear Sirs:

The Accounting Principles and Auditing Standards Committee (the "Committee") of the Florida Institute of Certified Public Accountants ("FICPA") has reviewed and discussed the subject Exposure Draft, including the fourteen questions posed in the "Notice for Recipients", and has the following comments related to these questions:

- 1. The Committee agrees that the proposed Statement will meet the project's objective of providing enhanced disclosures so that the benefits justify the incremental costs, in that the reconciliations of activity related to these contingencies would be highly informative without undue hardship in implementing. The Committee expects that the incremental costs would consist primarily of increased time to audit these additional disclosures but does not forsee any reduction in the costs of applying these requirements without significantly reducing the benefits.
- 2. The Committee agrees with the Board's decision regarding obligations that may result from withdrawal from a multiemployer plan for a portion of its unfunded benefit obligations, in that such an event could leave the plan with vastly significant remaining unfunded liabilities and, possibly, major contingencies regarding future viability of the Plan.
- 3. The Committee does not believe that an entity should be required to provide disclosures about loss contingencies that have a remote likelihood of loss, regardless of the expected timing of their resolution or the potential severity of their impacts on the entity's operations, in that such disclosures would serve no useful purpose, add unnecessary complexity to note disclosures and could confuse and/or alarm financial statement readers unnecessarily.

- 4. Regarding the proposed requirement for entities top disclose the amount of claim or assessment against the entity or, if there is no claim or assessment amount, the entity's best estimate of the maximum possible exposure to loss and the provision that entities would be permitted, but not required, to disclose the possible loss or range of loss if they believe the amount of the claim or assessment is not representative of the entity's actual exposure:
 - a. The Committee believes that this change would result in an improvement in the reporting of quantitative information about loss contingencies in those matters where lawsuits have been filed, in that under these circumstances there would be a specific claisssssssssssssssfdsm to disclose.
 - b. The Committee does not believe that disdclosing the possible loss or range of loss should be required, rather than optional, under these circumstances, because these disclosures could unfairly prejudice the ultimate outcome of the matter.
 - c. The Committee believes that disclosures of the amount of the claim (when suit has been filed) and amount of insurance coverage available to mitigate the claim should be disclosed under these circumstances.
- 5. For those loss contingencies without specific claim amounts, the Committee believes that the entity will not be able to provide a reliable and meaningful estimate of the maximum exposure to loss and could be providing some unduly prejudicial information, as discussed in item 4c above.
- 6. The Committee disagrees with any requirement to disclose settlement offers made between counterparties in a dispute, due to the often short time before these efforts expire as settlement negotiations are finalized.
- 7. The Committee does not believe that the proposed tabular reconciliation will provide useful information in that it does not address the expected timing of the contingencies' resolutions or whether there are expected to be additional future claims.
- 8. The Committee agrees with a limited exemption from disclosing prejudicial information, in that entities should not be required to disclose information that would have no purpose other than to harm these entities' negotiating positions.
- 9. The Committee agrees with the two-step approach in paragraph 11 of the Exposure Draft, in that the Committee believes that this is a reasonable approach
- 10. The Committee agrees with the designation of "rare" rather than "extremely rare" to describe circumstances under which the prejudicial exemption, in that the term "extremely rare" places too much restriction on the use of this exemption.
- 11. The Committee agrees with the proposed description of "prejudicial information.
- 12. The Committee does not believe that it is operational for entities to disclose all of the proposed requirements for both interim and annual reporting periods and disagrees with the requirement for the tabular reporting for reasons stated above.

- 13. The Committee does not believe that additional information about loss contingencies should be required disclosures.
- 14. The Committee does not believe that it is operational; for entities to implement the proposed Statement in fiscal years ending after December 15, 2008. This would require entities with calendar fiscal years to reassess contingencies at the prior year-end and to develop the activity disclosures for the current year. The Committee believes that a more reasonable requirement would be for implementation during fiscal years beginning after December 15, 2008.

The Committee appreciates this opportunity to respond to this Exposure Draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

John Young, CPA, Chair FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

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