



August 1, 2008

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

RE: File Reference No. 1600-100

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The PSC has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA. We appreciate the opportunity to provide input into your deliberations on the above-referenced Exposure Draft (ED) titled *Disclosure of Certain Loss Contingencies*.

The members of the PSC were generally in agreement with the direction and guidance included in the proposed Statement. We are happy to provide the following comments on the 14 questions posed in the ED.

Question 1. Will the proposed Statement meet the project's objective of providing enhanced disclosures about loss contingencies so that the benefits of those disclosures justify the incremental costs? Why or why not? What costs do you expect to incur if the Board were to issue this proposed Statement in its current form as a final Statement? How could the Board further reduce the costs of applying these requirements without significantly reducing the benefits?

We believe the proposed Statement meets the project's objective of providing enhanced disclosures about loss contingencies. The benefit of the enhanced disclosures appears to fully justify the incremental costs involved in developing them.

Question 2. Do you agree with the Board's decision to include within the scope of this proposed Statement obligations that may result from withdrawal from a multiemployer plan for a portion of its unfunded benefit obligations, which are currently subject to the provisions of Statement 5? Why or why not?

Our Committee believes it makes sense to include the obligations that may result from a multiemployer plan in the scope of this Statement.

Question 3. Should an entity be required to provide disclosures about loss contingencies, regardless of the likelihood of loss, if the resolution of the contingencies is expected to occur within one year of the date of the financial statements and the loss contingencies could have a severe impact upon the operations of the entity? Why or why not?

Regarding a loss contingency that is considered to have a remote likelihood of a resulting loss and whose resolution is expected to occur within one year, we believe there is no need for a required disclosure. Our committee holds to this belief even if the loss contingency with a remote likelihood of occurrence could have a severe impact upon the operations of the entity. With this belief in mind, a logical next step would be the deletion of paragraph 6 entirely as presently included in the Statement. This would leave the practitioner with the guidance provided in paragraph 5 which allows, but does not require, disclosure of a loss contingency whose likelihood is considered to be remote. However, a practitioner who wishes to make disclosure of a loss contingency whose likelihood is considered to be remote, because the practitioner believes the contingency could have a severe impact on the entity's financial results, is allowed to do so under the guidance in the Statement. This approach allows the practitioner to exercise his or her professional judgment in deciding on the necessity of such disclosures without including an excessive amount of dialogue in the Statement.

Question 4. Paragraph 10 of Statement 5 requires entities to "give an estimate of the possible loss or range of loss or state that such an estimate cannot be made." One of financial statement users' most significant concerns about disclosures under Statement 5's requirements is that the disclosures rarely include quantitative information. Rather, entities often state that the possible loss cannot be estimated. The Board decided to require entities to disclose the amount of the 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. Additionally, 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. Do you believe that this change would result in an improvement in the reporting of quantitative information about loss contingencies? Why or why not?

We agree that disclosure of the amount of the claim or assessment against an entity is an appropriate surrogate when an estimate of the possible loss or range of loss cannot be estimated.

b. Do you believe that disclosing the possible loss or range of loss should be required, rather than optional, if an entity believes the amount of the claim or assessment or its best estimate of the maximum possible exposure to loss is not representative of the entity's actual exposure? Why or why not?

We believe an entity should have the option of disclosing or not disclosing a possible loss or range of loss when the entity believes the amount of the claim or assessment or its best estimate of the maximum possible exposure to loss is not representative of the entity's actual

exposure. To require such a disclosure may well be prejudicial to the entity in defending its position.

c. If you disagree with the proposed requirements, what quantitative disclosures do you believe would best fulfill users' needs for quantitative information and at the same time not reveal significant information that may be prejudicial to an entity's position in a dispute?

We agree with the proposed requirements.

Question 5. If a loss contingency does not have a specific claim amount, will an entity be able to provide a reliable estimate of the maximum exposure to loss (as required by paragraph 7(a)) that is meaningful to users? Why or why not?

We find it difficult to imagine that an entity faced with a loss contingency that does not have a specific claim amount would be able to provide a reliable estimate of the maximum exposure to loss that is meaningful to users. Also, as mentioned in our response to Question 4b, making such an estimate could be prejudicial to the entity's position in the matter. In addition, our deliberation over this issue has led us to the belief that paragraph 7a(2) should be deleted from the Statement. This is consistent with our earlier reactions to Questions 3 and 4b and eliminates a flaw in the Statement caused by the need to make a disclosure when there is no sound basis for the disclosure and such disclosure can only bring harm to the disclosing entity.

Question 6. Financial statement users suggested that the Board require disclosure of settlement offers made between counterparties in a dispute. The Board decided not to require that disclosure because often those offers expire quickly and may not reflect the status of negotiations only a short time later. Should disclosure of the amount of settlement offers made by either party be required? Why or why not?

We see no reason to require the disclosure of any settlement offers made by either party in a dispute situation. Such disclosures would only lead to unwarranted speculation and add little to a user's decision-making process.

Question 7. Will the tabular reconciliation of recognized loss contingencies, provided on an aggregated basis, provide useful information about loss contingencies for assessing future cash flows and understanding changes in the amounts recognized in the financial statements? Why or why not?

We find the tabular reconciliation of recognized loss contingencies to be an informative and easy-to-understand method of providing useful information about loss contingencies.

Question 8. This proposed Statement includes a limited exemption from disclosing prejudicial information. Do you agree that such an exemption should be provided? Why or why not?

The limited exemption from disclosing prejudicial information is positive and we concur with its inclusion in the Statement.

Question 9. If you agree with providing a prejudicial exemption, do you agree with the two-step approach in paragraph 11? Why or why not? If not, what approach would you recommend and why?

We have no problem with the two-step approach described in paragraph 11.

Question 10. The International Accounting Standards Board (IASB) continues to deliberate changes to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, but has not yet reconsidered the disclosure requirements. The existing disclosure requirements of IAS 37 include a prejudicial exemption with language indicating that the circumstances under which that exemption may be exercised are expected to be *extremely rare*. This proposed Statement includes language indicating that the circumstances under which the prejudicial exemption may be exercised are expected to be *rare* (instead of *extremely rare*). Do you agree with the Board's decision and, if so, why? If not, what do you recommend as an alternative and why?

We totally agree with the Board in its decision to use *rare* rather than *extremely rare* in describing circumstances under which the prejudicial exemption may be exercised. Trying to express degrees of *rareness* without a specific basis for such a decision seems to be a rather futile exercise.

Question 11. Do you agree with the description of *prejudicial information* as information whose "disclosure...could affect, to the entity's detriment, the outcome of the contingency itself"? If not, how would you describe or define *prejudicial information* and why?

We have no problem with the description of *prejudicial information* as provided in the Statement.

Question 12. Do you believe it is operational for entities to disclose all of the proposed requirements for interim and annual reporting periods? Should the tabular reconciliation be required only annually? Why or why not?

We believe entities can disclose any of the issues they disclose on an annual basis in interim reporting periods.

Question 13. Do you believe other information about loss contingencies should be disclosed that would not be required by this proposed Statement? If so, what other information would you require?

We find the disclosures regarding loss contingencies covered in the Statement are sufficient to accomplish the Board's objective in this area.

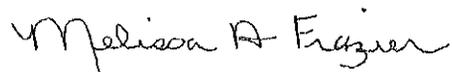
Question 14. Do you believe it is operational for entities to implement the proposed Statement in fiscal years ending after December 15, 2008? Why or why not?

Technical Director
Financial Accounting Standards Board
August 1, 2008
Page Five

We believe the implementation date of "fiscal years ending after December 15, 2008" is somewhat optimistic. We feel an implementation date of "fiscal years beginning after December 15, 2008" would be more realistic.

We appreciate the opportunity to provide input into the standard setting process.

Sincerely,

A handwritten signature in cursive script that reads "Melissa A. Frazier".

Melissa A. Frazier, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants