



January 13, 2009

LETTER OF COMMENT NO. 3

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

File Reference: proposed FSP FAS 141(R)-a

Dear Mr. Golden:

The Financial Reporting Committee (the FRC) of the Institute of Management Accountants (IMA) appreciates the opportunity to comment on the Financial Accounting Standards Board's (the Board or FASB) proposed FASB Staff Position No. FAS 141(R)-a, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies* (the proposed FSP). FRC is the financial reporting technical committee of the IMA. The Committee reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

We commend the Board on its efforts to address the implementation issues that arose from the changes to the recognition and measurement requirements made by FASB Statement No. 141(R), *Business Combinations* (Statement 141(R)), for assets acquired and liabilities assumed in a business combination that arise from contingencies (hereafter referred to as pre-acquisition contingencies). The proposed FSP addresses most of the implementation issues we raised to the Board in our letter of October 6, 2008. We generally agree with the proposed changes to the recognition and measurement requirements for pre-acquisition contingencies. We also believe that the Board's decision to provide further guidance regarding when the fair value of a pre-acquisition contingency can be reasonably determined will assist constituents in the application of the requirements of the proposed FSP.

We do, however, disagree with certain of the disclosures that would be required by the proposed FSP. We understand that the disclosure requirements in the proposed FSP are less extensive than those required by Statement 141(R); however, we are concerned that the disclosure requirements differ for pre-acquisition contingencies as compared to other contingencies that are not acquired or assumed in a business combination. For example, we disagree with the requirement to disclose a range of expected outcomes and changes in those ranges, without any provision that allows an entity to omit those disclosures if the range is not reasonably estimable. We also disagree with the requirement to disclose

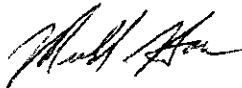
the amount recognized for a contingency in all circumstances, particularly without exceptions to permit omission of disclosures that might be prejudicial.

While there may be additional pre-acquisition contingencies measured at fair value based on the provisions of the proposed FSP compared to current practice, we believe that a significant majority of pre-acquisition contingencies, particularly those related to litigation, will be measured and recognized in accordance with Statement 5. While Statement 5 requires disclosure of the range of expected outcomes in certain circumstances, it does not require such disclosure if the range is not reasonably estimable. Additionally, Statement 5 requires the disclosure of amounts recognized for contingencies only if failure to provide such disclosure would make the financial statements misleading.

Given that the Board already has an active project on its agenda to reconsider the disclosure requirements for contingencies, we believe that it would be inappropriate to require disclosures for pre-acquisition contingencies acquired or assumed in business combinations that are different from those required for other contingencies. We believe that, instead, Statement 141(R) should simply refer to the disclosures required by Statement 5 until such time as the Board completes its contingency disclosure project.

We would be pleased to discuss these comments with the Board or its staff at your convenience.

Sincerely,



Mick Homan
Chair, Financial Reporting Committee
Institute of Management Accountants