



**PCPS**

PRIVATE COMPANIES PRACTICE SECTION

January 23, 2009

Russell G. Golden, CPA  
Technical Director  
FASB  
401 Merritt 7  
PO Box 5116  
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LETTER OF COMMENT NO. 15

**Re: September 25, 2008 Proposed FASB Staff Position (FSP) FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operation***

Dear Mr. Golden:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the Proposed FSP and is providing the following comments for your consideration.

**GENERAL COMMENTS**

In general, TIC supports the Proposed FSP, including the new disclosure requirements. However, TIC has proposed a few suggestions for enhancing the clarity of the final FSP.

TIC's specific responses to the questions for respondents are provided below.

**SPECIFIC COMMENTS**

*1. The proposed FSP would amend the definition of a discontinued operation so that a discontinued operation is a component of an entity that is (a) an operating segment (as that term is defined in FASB Statement 131, Disclosures about Segments of an Enterprise and Related Information) and either has been disposed of or is classified as held for sale or (b) a business (as that term is defined in FASB Statement 141 [revised 2007], Business Combinations) or a nonprofit activity that meets the criteria to be classified as held for sale*





*on acquisition. Do you agree with the proposed definition of a discontinued operation? Why or why not? If not, what definition would you propose and why?*

TIC agrees with the proposed definition of a discontinued operation in which a discontinued operation is a component of an entity that is (a) an operating segment and either has been disposed of or is classified as held for sale or (b) a business or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition. However, TIC does not believe that the proposed FSP should use the reference in paragraph 11 of the proposed FSP as follows:

*That entity shall use the guidance in paragraphs 10-15 of Statement 131 to determine what its operating segments are for purposes of presenting discontinued operations in the income statement.*

Nonpublic entities are not required to apply FASB Statement 131 and are therefore not familiar with the definition of an operating segment. TIC recommends that the proposed FSP define and provide guidance in the final FSP of an operating segment and not refer to the definition of an operating segment in FASB Statement 131.

*2. Based on the proposed definition of a discontinued operation, an operating segment is the general level of aggregation for determining whether a component of an entity would be reported in the discontinued operation section of the income statement (or statement of activities for not-for-profit entities). The definition would no longer include certain subsidiaries and asset groups that do not meet the definition of an operating segment. Is it feasible for an entity that is not required to apply Statement 131 (that is, a nonpublic business entity and a not-for-profit entity) to determine whether the component of an entity meets the definition of an operating segment? Why or why not? If not, what definition would you propose for an entity that is not required to apply Statement 131 and why?*

TIC believes it is feasible for an entity that is not required to apply Statement 131 (that is, a nonpublic business entity and a not-for-profit entity) to determine whether the component of an entity meets the definition of an operating segment. However, TIC recommends that the final FSP include the actual definition of an operating segment rather than refer to the definition in paragraphs 10-15 of Statement 131. As mentioned above, nonpublic entities are not required to apply FASB Statement No 131 and therefore are not familiar with the definition and guidance provided therein.

*3. Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose and why?*





TIC agrees with the proposed disclosure requirements. However, TIC believes that the references in paragraphs 13 and 14 of the proposed FSP to the various paragraphs in Statements 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, and 141(R), *Business Combinations*, might confuse the reader and could lead to misapplication of the standard. The clarity of a standard suffers when it contains cross-references to other standards followed by a list of exceptions as to when the disclosure requirements in those standards would apply. Therefore, TIC recommends that the final FSP include the text of the specific disclosure requirements that are applicable to components of an entity that have been disposed of or are classified as held for sale, without forcing the reader to sort through the cross-referenced paragraphs. TIC believes this approach would be user-friendly and would reduce complexity, thus facilitating implementation of the new requirements.

*4. Under the disclosure requirements, income tax expense or benefit does not have to be calculated and disclosed for components of an entity that are reported within continuing operations and that have been disposed of or are classified as held for sale. Do you agree or do you believe it would be beneficial to require income tax expense or benefit to be calculated and disclosed for discontinued components of an entity within continuing operations? If so, how would you calculate and disclose the income tax expense or benefit?*

TIC believes the incremental costs would outweigh the benefits for a nonpublic entity to be required to calculate and disclose income tax expense or benefit for discontinued components of an entity within continuing operations. The users of the financial statements for nonpublic entities have not expressed the need for additional disclosures of income tax expense or benefit for discontinued components of an entity within continuing operations. Also, it might be costly for nonpublic entities to prepare this disclosure since management will most likely need to obtain third party assistance in preparing these calculations.

*5. Do you agree with the disclosure exemptions for a business or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition? Why or why not? If not, what changes would you propose and why?*

TIC agrees with the disclosure exemptions for a business or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition. These disclosures would not be useful to the users since this business or nonprofit activity was never consolidated into the entity's financial statements and would only be classified as held for sale on acquisition for a short period of time.

*6. Are the effective date and transition provisions sufficient for compiling the information*





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*needed? Why or why not? If not, what would you propose and why?*

TIC believes the effective date and transition provisions are sufficient for compiling the information needed, since it will give nonpublic entities sufficient time to obtain training prior to the proposed FSP becoming effective.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Stephen Bodine, Chair  
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committee

