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January 17, 2008

Mr. Russell G. Golden Director of Technical Application and Implementation Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116



LETTER OF COMMENT NO. 1.5

RE: Proposed FSP No. FIN 48-b, Effective Date of FASB Interpretation No. 48 for Nonpublic **Enterprises** 

Dear Mr. Golden:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the proposed FASB Staff Position No. FIN 48-b, "Effective Date of FASB Interpretation No. 48 for Nonpublic Enterprises" (the "proposed FSP").

We understand that the overwhelming majority of nonpublic entities believed they would be eligible to defer the adoption of FIN 48 when the FASB announced in early November that it was going to delay the effective date of FIN 48. Consequently those entities halted their implementation of FIN 48. The way in which the deferral was communicated in the financial media contributed to the belief that deferral would apply to all nonpublic entities.

It is now clear that only a small minority of nonpublic entities may qualify for deferral, as the proposed FSP is currently drafted. This is because entities that have provided financial information to third parties (e.g., debt covenant calculations, etc.) would be deemed to have adopted FIN 48. While there is ambiguity in the proposed FSP, we have learned through discussions with the FASB staff that the deferral was in fact intended to be narrowly applied. However, even after the issuance of the FASB's press release on January 8, 2008, we believe there continues to be confusion and uncertainty about which nonpublic entities would be eligible for the deferral.

We suggest the FASB revise the proposed FSP to allow for a deferral if the nonpublic entity (1) has not yet "issued" financial statements (as discussed in EITF Topic No. D-86 "Issuance of Financial Statements") to a third party that reflected the application of FIN 48 or included the requisite FIN 48 footnote disclosures or (2) has not made adjustments to financial information as a direct result of adopting FIN 48, that was provided to a third party.

While we understand the technical merits of the view that entities would have been required to have adopted FIN 48 in order to produce interim financial information, we believe many nonpublic entities that had contractual informational requirements during 2007 (e.g., debt covenant or net asset value calculations) would have performed an analysis that was sufficient to understand the materiality of the potential impact of FIN 48 but not rigorous enough to record the relevant journal entries and develop information required to be disclosed by paragraphs 21 and 24 of FIN 48. Our proposed revision would allow entities to defer adoption of FIN 48 for one year if they have not made adjustments to adopt FIN 48 in financial statements or financial information issued to third parties. We believe this would provide



relief to a substantial portion of nonpublic entities that may have halted their implementation of FIN 48 based on their belief that they were eligible for deferral.

We understand that certain regulators have already communicated that entities that have interim reporting requirements (e.g., quarterly bank call reports) would have had to adopt FIN 48 during 2007 and therefore would not be eligible for deferral. We would support deferral for these entities for the same reasons previously noted for nonpublic companies in general. However, given the communications made by those regulators, we recommend the Board consider clarifying in the final FSP that a nonpublic entity would be deemed to have adopted FIN 48 if financial information provided to third parties was required to be prepared in accordance with generally accepted accounting principles in compliance with regulatory reporting requirements.

Alternatively, for pragmatic reasons, the FASB could revise the proposed FSP to simply allow all nonpublic entities to defer the adoption of FIN 48 regardless of whether they have issued financial statements or financial information to third parties. Under this more pragmatic alternative, the FASB would need to provide additional transition guidance that would allow an entity to reverse any adjustments previously made to adopt FIN 48.

We would be pleased to discuss our comments and to answer any questions that the FASB or FASB Staff may have. Please do not hesitate to contact Brett Cohen (973-236-7201) or Jim Geary (973-236-4497) regarding our submission.

Sincerely.

PricewaterhouseCoopers LLP