

McGladrey & Pullen

Certified Public Accountants



LETTER OF COMMENT NO. 17

McGladrey & Pullen LLP
Third Floor
3600 American Blvd West
Bloomington, MN 55431
O 952.835.9930 F 952.921.7702

January 17, 2008

Russell G. Golden
Director, Technical Application & Implementation Activities
Financial Accounting Standards Board
PO Box 5116
401 Merritt 7
Norwalk, CT 06856-5116

File Reference: Proposed FSP FIN 48-b

Dear Mr. Golden:

We appreciate the opportunity to comment on the proposed FASB Staff Position (FSP) No. FIN 48-b, *Effective Date of FASB Interpretation No. 48 for Nonpublic Enterprises*. McGladrey & Pullen, LLP supports a deferral of FASB Interpretation No. 48's (the Interpretation's) effective date for nonpublic enterprises. However, as explained below, we believe considerable confusion currently exists in the preparer community for nonpublic enterprises regarding the proposed scope of the deferral. We are concerned that this confusion, which stems from information communicated by the FASB and in the public press, has led many preparers at nonpublic enterprises to believe the deferral would apply to them when, in fact, it may not. This, in turn, led to many of these nonpublic enterprises curtailing their efforts to adopt the Interpretation.

Based on our reading of the press release dated January 8, 2008 and our discussions with the FASB staff and other large accounting firms, we understand that the Board intends that if a nonpublic enterprise provided interim information to a third party that was **required** to be presented in accordance with GAAP, then such enterprise was deemed to have adopted the Interpretation, **even if no attempt was made to apply the Interpretation to that interim information**. Since many or perhaps even most nonpublic enterprises have requirements to submit interim financial information to their lenders or other third parties, if our understanding is correct, we believe relatively few nonpublic enterprises would be eligible for the deferral. The clarification of the proposed scope of the deferral as set forth in the press release, if adopted, would not allow enough time for preparers who have curtailed their efforts to re-deploy and complete the adoption prior to the due date for issuance of their financial statements.

Below is a chronological recap of information provided on the FASB website on the subject of the deferral of the effective date of the Interpretation for nonpublic enterprises:

- **November 15, 2007 FASB Action Alert** (summary of November 7, 2007 board meeting):

Agenda decision: deferral of the effective date of Interpretation 48 for nonpublic entities. The Board discussed the deferral of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for

nonpublic entities, and decided to add a project to its agenda to defer the effective date of Interpretation 48 for all nonpublic entities, including nonpublic not-for-profit entities, to fiscal years beginning after December 15, 2007. Nonpublic entities that have already applied the provisions of Interpretation 48 and whose financial statements have been issued to third parties would not be eligible for the deferral.

The Board directed the staff to proceed to a draft of a proposed FSP, with a 30-day comment period, for vote by written ballot.

- **November 29, 2007 board meeting minutes** (summary of November 7, 2007 board meeting):

Summary of Decisions Reached:

At the November 7, 2007 Board meeting, the Board deliberated on a deferral of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, for nonpublic entities. At that meeting, the Board decided:

1. To add a project to its agenda to defer the effective date of Interpretation 48 for all nonpublic entities, including nonpublic not-for-profit entities, to fiscal years beginning after December 15, 2007. Nonpublic entities that have already adopted the provisions of Interpretation 48 would not be eligible for the deferral.
2. To proceed to a preballot draft of the proposed FSP with a 30-day comment period.

- **The FASB Report dated December 2007:**

The Board recently approved a one-year deferral of the effective date of Interpretation 48 for all nonpublic entities, unless they have already implemented the Interpretation and issued interim or year-end GAAP financial statements.

- **Proposed FSP issued December 19, 2007:**

6. A nonpublic enterprise that adopted the provisions of Interpretation 48 before issuance of this FSP must continue to apply the provisions of Interpretation 48.

7. Paragraph 22 of Interpretation 48 is amended as follows: [Added text is underlined and deleted text is ~~struck-out~~.]

For public enterprises (as defined in paragraph 289 of Statement 109) [This Interpretation shall be effective for fiscal years beginning after December 15, 2006. For nonpublic enterprises (also as defined in paragraph 289) this Interpretation shall be effective for fiscal years beginning after December 15, 2007. Earlier adoption is permitted as of the beginning of an enterprise's fiscal year, provided the enterprise has not yet issued financial statements or information to third parties, including financial statements or information for any interim period, for that fiscal year. A nonpublic enterprise that adopted the provisions of Interpretation 48 before issuance of FSP FIN 48-X, *Effective Date of FASB Interpretation No. 48 for Nonpublic Enterprises*, must continue to apply the provisions of that Interpretation.

- **Press release issued January 8, 2008:**

The amendments contained in the proposed FSP clarify that the provisions of Interpretation 48 have been adopted if the nonpublic entity has issued financial information prepared in accordance with U.S. GAAP to third parties.

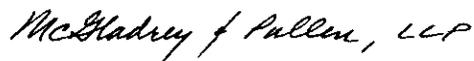
We believe that a reader of the FASB website postings in November and December would have reasonably concluded that the proposed deferral would cover most nonpublic enterprises. Accordingly, we believe most nonpublic enterprises concluded they could avail themselves of the deferral. While this may not have been the Board's intent, it is the consequence of the content and timing of its communications.

We recommend the effective date of the Interpretation be deferred for any nonpublic enterprise that has not issued GAAP-basis financial statements that affirmatively assert that the enterprise has adopted the Interpretation or where there was a regulatory requirement to do so. We also believe the deferral should be to the **end** of the fiscal year that begins after December 15, 2007 because if nonpublic enterprises are required to adopt the Interpretation upon issuance of interim financial information during 2008, the delay would not afford sufficient relief to accomplish its objective.

We also believe it is critical that the uncertainty surrounding the scope of the deferral be clarified as soon as possible and recommend the Board finalize and issue the proposed FSP at the earliest practicable date.

We would be pleased to respond to any questions the Board or its staff may have about any of the foregoing comments. Please direct any questions to Jay D. Hanson (952 921-7785).

Sincerely,

A handwritten signature in cursive script that reads "McGladrey & Pullen, LLP".

McGladrey & Pullen, LLP