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May 15, 2009

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



LETTER OF COMMENT NO. 2

**File Reference No. 1670-100**

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on the FASB's Exposure Draft of a proposed Statement, *Rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections* (the "proposed Statement" or the "Exposure Draft").

We support the Board's efforts to address inconsistencies in existing accounting pronouncements, eliminate outdated guidance, and make technical corrections. Appendix A contains our responses to the questions posed in the proposed Statement's Notice for Recipients. In Appendix B, we suggest additional technical corrections for the Board to consider.

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Deloitte & Touche appreciates the opportunity to comment on the proposed Statement. If you have any questions concerning our comments, please contact Richard Paul at (203) 761-3457.

Yours truly,

Deloitte & Touche LLP

cc: Bob Uhl

**APPENDIX A**  
**Deloitte & Touche LLP**  
**Responses to Notice for Recipients**

*Question 1: Do you agree with the changes included in the proposed Statement? Please explain your answer.*

We agree with the proposed Statement's changes but would like to propose additional corrections for the Board to consider (see Appendix B).

*Question 2: Will the proposed Statement meet the project's objective to clarify certain previously issued standards, eliminate certain outdated guidance, and address certain inconsistencies in the accounting literature? Please explain your answer.*

We believe that the proposed Statement meets the project's objective.

*Question 3: Will any of the proposed technical corrections result in unintended substantive changes to existing accounting pronouncements that would require transition provisions? If yes, what method of transition do you believe would be the most appropriate? Please explain your answer.*

With the exception of the following change, we do not believe that the proposed technical corrections will result in changes to existing accounting guidance that would require transition provisions:

While we agree with the proposed nullification of Topic D-33<sup>1</sup> as a technical correction, the effective date contained in the proposed Statement could create an issue for entities that would adopt the proposed Statement before adopting Statement 141(R).<sup>2</sup> The Exposure Draft indicates that the proposed Statement would be effective upon issuance, which is expected to be before July 1, 2009. Therefore, the guidance in Topic D-33 would be nullified before entities with, for example, a fiscal year-end of September 30, 2009, have adopted Statement 141(R). Accordingly, we recommend that the FASB change the effective date of the proposed Statement so that the nullification of Topic D-33 would coincide with an entity's adoption of Statement 141(R).

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<sup>1</sup> EITF Topic No. D-33, "Timing of Recognition of Tax Benefits for Pre-reorganization Temporary Differences and Carryforwards."

<sup>2</sup> FASB Statement No. 141(R), *Business Combinations*.

**APPENDIX B**  
**Deloitte & Touche LLP**  
**Additional Comments**

We recommend that the Board make the following additional technical corrections (additions are underlined and deletions are ~~struck out~~):

1. Investments in equity securities that have readily determinable fair values are within the scope of Statement 115.<sup>3</sup> Restrictions on the transferability of an equity security may affect the determination of whether that security has a readily determinable fair value. Until an entity adopts Statement 157,<sup>4</sup> Statement 115 is the only guidance on the effect of restrictions on such a determination. Statement 157 amended the guidance on restricted stock in paragraph 3(a) of Statement 115, including footnote 2. Statement 157 also specifies how, when determining fair value, an entity assesses whether a restriction on the sale or use of an asset is an attribute of the related asset (i.e., an instrument-specific restriction) or is not an attribute of the related asset (i.e., an entity-specific restriction). Along with the amendments to Statement 115, the restriction guidance in Statement 157 has raised questions regarding the scope of Statement 115. However, we understand that Statement 157 was not intended to change when an item is subject to a fair value measurement. Therefore, the FASB should consider clarifying whether the guidance in Statement 157 on restrictions affects the scope of Statement 115.

2. We recommend that the Board make the following amendment to paragraph 30 of Statement 133<sup>5</sup> in addition to the changes already proposed in the Exposure Draft:

If a non-option-based contract is the hedging instrument in a cash flow hedge of the variability of the functional-currency-equivalent cash flows for a recognized foreign-currency-denominated asset or liability that is remeasured at spot exchange rates under paragraph 15 of Statement 52, an amount that will both offset the related transaction gain or loss arising from that remeasurement and adjust earnings for that period's allocable portion of the initial spot-forward difference associated with the hedging instrument (cost to the purchaser or income to the seller of the hedging instrument) shall be reclassified each period from other comprehensive income to earnings if the assessment of effectiveness and measurement of ineffectiveness are based on total changes in the non-option-based instrument's cash flows.

3. We understand that the Board is aware of a potential inconsistency between the example in paragraph 31 of Statement 107<sup>6</sup> and the fair value measurement notion in Statement 157. We believe the Board should use the proposed Statement as an opportunity to address the potential inconsistency. As we indicated in our comment letter on proposed FSP FAS 107-b and APB 28-a,<sup>7</sup> we recommend that the Board revise paragraph 31 of Statement 107 to ensure that it is consistent with the fair value measurement notion in

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<sup>3</sup> FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*.

<sup>4</sup> FASB Statement No. 157, *Fair Value Measurements*.

<sup>5</sup> FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

<sup>6</sup> FASB Statement No. 107, *Disclosures About Fair Value of Financial Instruments*.

<sup>7</sup> Proposed FASB Staff Position No. FAS 107-b and APB 28-a, "Interim Disclosures About Fair Value of Financial Instruments."

Statement 157 or delete certain portions of that example to resolve any confusion. We also believe that such a change should be accompanied by transition provisions.

4. We believe that under Statement 141(R), a development-stage enterprise may meet the definition of a business. Under Issue 98-3,<sup>8</sup> however, a development-stage enterprise was presumed not to be a business. The FASB may want to consider amending the definition of development-stage enterprise in paragraph 8 of Statement 7<sup>9</sup> to clarify that such an enterprise can be a business. We suggest the following amendment:

For purposes of this Statement, an enterprise shall be considered to be in the development stage if it is devoting substantially all of its efforts to developing its operations ~~establishing a new business~~ and either of the following conditions exists:

- a. Planned principal operations have not commenced.
  - b. Planned principal operations have commenced, but there has been no significant revenue therefrom.
5. Paragraph 21 of Interpretation 48<sup>10</sup> contains disclosure requirements for each annual reporting period presented. It is unclear whether the FASB intended entities to present all the disclosures in paragraph 21 on a comparative basis. For example, paragraph 21(d) requires the disclosure of certain forward-looking information. Under paragraph 21(d), as currently written, entities may have to disclose, for previous annual periods presented, information about tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date. However, we believe that the requirement for entities to provide such disclosures for previous annual periods presented may cause confusion among financial statement users. We therefore recommend that the FASB add a technical correction to the proposed Statement to require the paragraph 21(d) disclosures only for the current annual reporting period presented. We have a similar observation regarding the disclosure requirements of paragraph 21(c).
  6. Issue 86-32<sup>11</sup> currently requires that “in the consolidated financial statements, dividends on a subsidiary’s preferred stock, whether mandatorily redeemable or not, would be included in noncontrolling interest as a charge against income.” After adopting Statement

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<sup>8</sup> EITF Issue No. 98-3, “Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business.”

<sup>9</sup> FASB Statement No. 7, *Accounting and Reporting by Development Stage Enterprises*.

<sup>10</sup> FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of FASB Statement No. 109.

<sup>11</sup> EITF Issue No. 86-32, “Early Extinguishment of a Subsidiary’s Mandatorily Redeemable Stock.”

<sup>12</sup> FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* — an amendment of ARB No. 51.

160,<sup>12</sup> an entity no longer reflects the portion of net income attributable to the noncontrolling interest as a charge in arriving at net income. Accordingly, the FASB should amend Issue 86-32 to indicate whether the dividends related to a subsidiary's preferred stock should be reflected as (1) an allocation of earnings between the parent and noncontrolling interest or (2) an adjustment to the net income attributable to the parent to arrive at income available to common stockholders (the numerator in the earnings per share calculation). In addition, the SEC staff should provide similar guidance in Topics D-98<sup>13</sup> and D-42<sup>14</sup> (i.e., to conform to any guidance the FASB provides). If the Board decides to make these amendments, it should consider whether transition provisions are necessary.

7. We believe that like paragraph 2 of Statement 86<sup>15</sup> (amended by paragraph E18 of Statement 141(R)), SOP 98-1<sup>16</sup> should be amended to exclude research and development assets acquired in a business combination from its scope. We suggest the following amendment to paragraph 5 of SOP 98-1:

This SOP provides guidance on accounting by all nongovernmental entities, including not-for-profit organizations, for the costs of computer software developed or obtained for internal use and provides guidance for determining whether computer software is for internal use. This Statement does not apply to research and development assets acquired in a business combination. Tangible and intangible assets acquired in a business combination that are used in research and development activities are recognized and measured at fair value in accordance with FASB Statement No. 141 (revised 2007), *Business Combinations*. However, this Statement applies to any costs incurred after the date of a business combination for computer software developed or obtained for internal use.<sup>9</sup>

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<sup>13</sup> EITF Topic No. D-98, "Classification and Measurement of Redeemable Securities."

<sup>14</sup> EITF Topic No. D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock."

<sup>15</sup> FASB Statement No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*.

<sup>16</sup> AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*.