



LETTER OF COMMENT NO. 7



fei

financial executives
international

committee on corporate reporting

June 15, 2007

Mr. Robert H. Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856

Dear Bob:

The Committee on Corporate Reporting (CCR) of Financial Executives International (FEI) appreciated the opportunity to meet with the Board and Staff on June 8th and to exchange views on the Board's agenda projects. It was the view of the Committee that we should write to the Board regarding the near-term plans related to the business combinations project. As with all our communications on technical matters, the views we express are those of CCR and not necessarily those of FEI or its members individually

We have previously provided the Board with detailed comments on principles contained within the proposed standards on business combinations and consolidation related matters. As the Board is familiar with the issues raised in our prior letters, we will not repeat them here. However, we will note for the record that the current drafts of the proposed standards do not adequately address those issues and thus our concerns about the Board's conclusions persist.

With the recent focus on the high level of complexity in our financial reporting system, it is important that the Board, together with key stakeholders (including the SEC, the auditing profession, preparers, and investors), work to ensure that any new standards do not add unnecessarily to this problem. In our judgment, these proposed standards clearly add to financial reporting complexity. We also question whether the proposed standards meet the qualitative characteristics under the Board's conceptual framework (relevance, reliability, understandability). We believe that there is an opportunity to adjust the scope of the proposed standards to exclude, at a minimum, the provisions related to non controlling interests and accounting for contingencies. This will enable the existing practice problems to be addressed in a timely manner while not simultaneously adding to financial reporting complexity with matters that have yet to be deliberated and resolved in the Board's conceptual framework project.

We would be pleased to discuss these concerns in more depth with the Board and Staff at its earliest convenience.

Sincerely,

Arnold C. Hanish

Arnold C. Hanish
Vice Chair, Committee on Corporate Reporting
Financial Executives International

cc: Sir David Tweedie, Chairman IASB