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September 28, 2009

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

File Reference No. 1720-100

Re: FASB Exposure Draft of a Proposed Accounting Standards Update of Topic 810

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on the FASB's exposure draft of a proposed Accounting Standards Update (ASU) of Consolidations (Topic 810), *Accounting and Reporting for Decreases in Ownership of a Subsidiary — a Scope Clarification*.

We support the Board's efforts to clarify the application of FASB Accounting Standards Codification (ASC) Subtopic 810-10, *Consolidation: Overall*, originally issued as FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, to the deconsolidation of a subsidiary or group of assets that is a business or nonprofit activity.

As indicated in our response to Question 1 in the Appendix below, we believe that the proposed ASU would address many of the concerns expressed by constituents about the application of the provisions of ASC 810-10. However, in our response to Question 1 we also note three issues associated with the definition of a business — two related to application of the proposed guidance and one related to the scope of the project — for consideration by the Board.

The Appendix contains our detailed responses to the proposed ASU's Questions for Respondents.

If you have any questions concerning our comments, please contact Robin Kramer at (203) 761-3079.

Sincerely,

Deloitte & Touche LLP

cc: Robert Uhl, Deloitte & Touche LLP

# Deloitte & Touche LLP Appendix Responses to the ASU's Questions for Respondents

#### **Question 1**

Do you agree that the scope of the decrease in ownership guidance in Subtopic 810-10 should be limited to subsidiaries and groups of assets that are businesses or nonprofit activities?

We agree that, in most cases, a disposition of a subsidiary or group of assets that is a business that results in loss of control is a significant economic event requiring recognition of any gain or loss in income in the period in which the transaction occurs.

The proposed ASU relies on the definition of a business from paragraph 3(d) (and the associated implementation guidance in paragraphs A4–A9) of FASB Statement No. 141(R), *Business Combinations*. This definition was developed for entities to use in determining consolidation and initial recognition rather than assessing whether derecognition should occur. Thus, the Board should proceed cautiously and seek to avoid unintended consequences of an entity's reliance on this definition in determining appropriate derecognition and deconsolidation guidance. For example, parent companies should not be able to incorporate nonsubstantive features in an entity to bypass the application of other derecognition standards that would apply to the parent for assets within the entity.

In addition, we believe that when control is surrendered over an entity that meets the definition of a business, deconsolidation of the entity under ASC 810-10 and derecognition of the entity's assets should be presumed to be appropriate. We believe that this presumption should be rebutted in situations in which assets are inserted into an entity that incorporates nonsubstantive features to meet a business definition in order to avoid other appropriate derecognition guidance that would apply to the assets inserted into the entity. For example, a parent with an entity with nonsubstantive business features that only holds financial assets should apply FASB Statement No. 166, Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140, to derecognize the entity's assets.

We also note that the proposed ASU does not amend ASC 810-10 guidance associated with an increase or decrease in ownership when control is maintained to incorporate the scope limitation (to subsidiaries and groups of assets that are a business or nonprofit activity). This could result in inconsistent applications of ASC 810-10.

#### **Question 2**

Do you agree that sales of in-substance real estate should be excluded from the scope of the decrease in ownership provisions of Subtopic 810-10 even if it is a business or nonprofit activity?

We agree that sales of in-substance real estate should be excluded from the scope of the decrease-in-ownership provisions of ASC 810-10, even if the entity has been deemed a business or nonprofit activity. We believe that application of the extensive guidance in ASC Subtopic 360-20, *Property, Plant, and Equipment: Real Estate Sales*, and ASC Subtopic 976-605, *Real Estate: Revenue Recognition*, particularly with respect to continuing involvement, is necessary to ensure

the consistent application of U.S. GAAP to these transactions and to avoid structuring opportunities.

As currently proposed, the amendment to ASC 810-10 applies to transactions that result in a deconsolidation of a subsidiary. We believe that the Board's intention was to extend the scope exception for transactions that are in-substance real estate to include changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary. Accordingly, we believe that ASC 810-10-45-22 through 45-24 also should be amended to state that these paragraphs shall not be applied if a transaction is in substance the sale of real estate, and that an entity shall apply the real estate sale guidance in ASC 360-20 or ASC 976-605 in such transactions.

### **Question 3**

Do you agree that an entity should apply the guidance in Subtopic 810-10 for transfers of a business or nonprofit activity to an equity method investee (over which the entity has significant influence) or a joint venture (over which the entity has joint control)?

We agree that an entity should apply the guidance in ASC 810-10 on transfers of a business or nonprofit activity to an equity method investee (over which the entity has significant influence) or a joint venture (over which the entity has joint control). We believe that an exchange of a subsidiary or group of assets that is in substance a business, and in which loss of control results, is a significant economic event that requires recognition of any gain or loss in income in the period in which the transaction occurs.

## **Question 4**

Do you agree that the guidance in Subtopic 810-10 also should apply to an exchange of a group of assets that constitute a business or nonprofit activity for a noncontrolling interest in another entity?

We agree that the guidance in ASC 810-10 should apply to an exchange of a group of assets that constitute a business or nonprofit activity for a noncontrolling interest in another entity. We believe that an exchange of a subsidiary or group of assets that is in substance a business, and in which loss of control results, is a significant economic event that requires recognition of any gain or loss in income in the period in which the transaction occurs.

## **Question 5**

Is the proposed effective date operational? If not, please explain why.

We are not aware of operational issues associated with the proposed effective date.

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