From:
 Haber, Jeffry

 To:
 Director - FASB

 Subject:
 EITF-12B

Date: Monday, August 06, 2012 9:33:56 AM

Dear Director,

I am responding to one particular question contained in the Exposure Draft:

Question 3: Do you agree that a recipient not-for-profit entity should measure the personnel services received from an affiliate at the cost incurred by the affiliate? Furthermore, do you agree that, at a minimum, cost should include all direct personnel costs (for example, compensation and any payroll-related fringe benefits) incurred by the affiliate in providing the services to the recipient not-for-profit entity? If not, please explain why.

I believe more guidance is needed to insure that not-for-profits apply the update to Topic 958 uniformly, should the exposure draft be implemented as described. The exposure draft should detail how the cost incurred should be calculated. At a minimum, it should specify whether incremental (marginal) cost or average cost should be utilized.

For instance, an organization might have a salaried staff member who works 35 hours per week at a stated weekly rate. If they provide 3 hours of weekly service to the affiliate (above and beyond the 35 hours, so they are now working 38 hours per week) and have no change in their weekly salary then the cost to the providing entity is zero. The benefit to the receiving entity is either zero (based on the incremental (marginal) cost to the providing entity or 3/38 of the weekly salary plus related payroll expenses based on average cost).

Sincerely,

Jeffry Haber

Jeffry Haber, PhD, CPA Professor and Chair Accounting Department Hagan School of Business Iona College