

A Professional Association of Certified Public Accountants

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September 26, 2011

Charles E. Landes, CPA VP of Professional Standards & Services AICPA 220 Leigh Farm Road Durham, North Carolina 27707-8110

Leslie F. Seidman, Chairman Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116

Re: Interest Rate Swaps

Dear Mr. Landes & Ms. Seidman:

To put this letter into perspective, for whatever it is worth to you, I have been practicing accounting for in excess of 40 years. Thus, when it comes to the broad sense of accounting and financial reporting, and dealing with the general public and business clients, I am rather well-versed and experienced.

With that in mind, in respect to reporting and disclosure of Interest Rate Swaps, I have to ask what addled brained thought process had "you people" (I am obviously referring to whoever made the collective decisions involved here) come up with the sheer irrelevant lunacy that constitutes the financial statement reporting requirements for Interest Rate Swaps? Frankly, you should be ashamed of yourselves.

Recently, because of my active involvement with a charitable organization which receives audited financial statements, I reviewed a copy of the financials. I figured that with what is essentially a modest and not-complicated charity, and with my 40+ years in accounting, I would be able to quickly peruse the financial statements and easily understand them. Were that only the case. I simply did not take into account that thanks to the geniuses who created the travesty that purports to be our standards, it requires an advanced degree in babble to comprehend even a simple financial statement. It is as if those who developed these standards never actually worked an honest day in their lives dealing with clients, but rather spent their time somewhere in the netherworld of the theoretical, desperately searching for world class nonsense.

The charity with which I am involved owns a piece of real estate on which it has a mortgage. The concept is rather simple – the mortgage has a routine amortization arrangement, and the payments are made every month. The charity intends to stay in and keep this real estate indefinitely, and has no plans or expectations to sell it at any time. If things go the way they are

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expected, over the next 20 years or so, the mortgage will be paid off in the normal course of events. Sounds (and is) pretty simple. That is, until our woe begotten standards get into the act.

On the balance sheet are such absurdities as "Current Portion of Swap Liability", "Swap Liability, Net of Current Portion", and "Accumulated Non-Operating Losses". These numbers are hundreds of thousands of dollars – which have a tremendous impact on the financial statements. On the Statement of Activities, we have "Unrealized Gain/Loss on Interest Rate Swap". In the notes to the financial statements, there is a reference to "The loss resulting from the Swap Agreement..." Those words are preposterous, impenetrable, meaningless dribble that can only confuse the world. There is zero logic and intelligence behind this. Yet, we are told by the auditors (and have verified it with other auditors) that indeed this rank stupidity is the standard by which we accountants operate. Asking several auditors, 100% expressed the same opinion – that there is not a whit of logic or intelligence behind this. Everyone agreed that at most, this might be appropriate as a footnote disclosure, and then maybe only if the dollars involved were above a certain threshold. But in no case did anyone see the slightest rationale justifying the heavy handed brutalization endured by the public thanks to such accounting standards. To say that this is among the most inane, most irresponsible, standards created would be too kind.

Instead of we CPAs working together as a team to improve the profession, provide useful products, present ourselves to the public in a fashion that proves the value that we bring – "you" come up with this insanity that no straight faced accountant can possibly justify or explain to anyone, and which only does harm to our profession by making us a laughing stock among those with financial acumen who understand financial statements. Our profession's standards are supposed to compel us (for those who need such compelling) to do a better, more professional job, and to ensure that our work protects the public's interests. The Interest Rate Swap standard, applied as it is indiscriminately, embarrasses our profession, and makes a mockery of the quality work that CPAs do every day. What you have compelled us to do destroys the meaning and value of the balance sheet, makes nonsense of an income statement and embarrasses any CPA who tries to explain it to a client. We can't even explain it to ourselves.

It also creates unnecessary fees. Maybe it has escaped "you" that there is a fair amount of client sensitivity to fees – and creating work for zero benefit does not do any of us any good. In fact, "your" abusive standards steal hard earned and desperately needed money from charities and small businesses – and for what? To give you an opportunity to justify your existence? Where is the good to our profession when we as accounting professionals have to actually apologize to

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our clients for the way financial statements are structured? On their worst days, the federal and state taxing authorities make more sense, are more rational, are fairer than the accounting standards for Interest Rate Swaps.

Very truly yours,

Kalman A. Barson, CPA/ABV, CFE, CFF

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