

Air Products and Chemicals Inc.

7201 Hamilton Boulevard Allentown, PA 18195-1501 Tel (610) 481-7932 Fax (610) 481-7009 e-mail: huckpe@airproducts.com Paul E. Huck
Vice President and
Chief Financial Officer

28 October 2005

Letter of Comment No. 23
File Reference: 1205-001
Date Received: 10.28.05

Technical Director – File Reference 1205-001 Financial Accounting Standards Board of the Financial Accounting Foundation 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Dear Sir or Madam:

We appreciate the opportunity to comment on the Proposed Statement of Financial Accounting Standards on Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries dated 30 June 2005. Air Products is a major supplier of industrial gases and related equipment, chemicals, and environmental and energy systems with consolidated annual sales over \$8 billion.

In summary, we do not believe that the changes contained in the statement add clarity or improvement to financial standards for users. We recommend that the current treatment of minority interest be retained along with the accounting for investments in subsidiaries.

Comments on Issues for Respondents

Question 2 – Do you agree with the proposed requirement to present the noncontrolling interest in the consolidated statement of financial position within equity, separately from the parent shareholders' equity? If not, what alternative do you propose and why?

We do not agree with including the noncontrolling interest in the equity section of the consolidated statement of financial position. Shareholders' equity should represent the ownership interests of the parent company, not that of the parent company and third parties. Additionally, treatment of the noncontrolling interest as equity adds a significant degree of complexity to the accounting for such interests. To compensate for these complexities, disclosure requirements have been added. It is our position that a noncontrolling interest in a consolidated subsidiary does not represent shareholders' equity. We believe the current accounting for noncontrolling interest is the method which is the most straightforward and easiest to understand.

Financial Accounting Standards Board of the Financial Accounting Foundation 28 October 2005 Page -2-

We believe that any changes which add complexity with additional footnote disclosure for little or no benefit to users is not justified and poor accounting. We urge the Board to retain the present accounting model for minority interest.

Question 4 – Do you agree that changes in ownership interests in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as equity transactions? If not, what alternative do you propose and why?

We contend that the purchase or sale of an equity interest regardless of ownership level should be treated in the same manner. A sale of an equity interest is the same as the sale of any other asset and should result in recognition of a gain or loss. The purchase of an additional equity interest in a subsidiary should be based on its cost, not the fair value when control was obtained. This position reflects a principle-based approach as opposed to a rule-based approach. Any rule-based approach, such as leases, allows for the opportunity to manipulate earnings and structure a balance sheet to achieve certain desired results. As per our response to Question 2, we do not agree that the noncontrolling interest in a consolidated subsidiary should be classified in shareholder equity. We believe the current accounting model for minority interests is appropriate.

Question 5 – Do you agree that any gain or loss resulting from the measurement of a retained investment in a former subsidiary should be recognized in income of the period? If not, what alternative do you propose and why?

We do not agree with the proposed accounting for changes in ownership resulting in the recognition of holding gains and losses. Accounting principles and standards have been established that require companies to recognize expenses/losses when they are determined to be probable while revenues/gains face more stringent requirements before being recognized. The proposed standard is providing companies the opportunity to record holding gains to earnings on the retained portion of an investment. We find this inconsistent with all other standards regarding revenue recognition and the culmination of the earnings process. It also does not give the reader a better understanding of the company's performance, but rather one-time recognition of holding gains and losses that can cloud the results of the business. An argument could be made that this equally applies to losses, but if the book value of an investment exceeded its fair value, a loss should be recorded based on impairment.

The current rules provide consistent treatment of purchases and sales of investments and the recognition of gains or losses. The proposed treatment of purchases and sales of investments is dependent on the ownership level. As discussed in our response to Question 4, we contend that the accounting for the purchase or sale of an equity interest should be the same regardless of ownership level.

We thank you again for the opportunity to express our views on this important issue, and would welcome any further inquiry by the Board to ensure that our position is fully understood.

Sincerely,

Paul E. Huck