

Letter of Comment No: 40 File Reference: 1205-001

Ford Motor Company

Accounting Director Patricia Little Dearborn, MI 48121

October 28, 2005

Mr. Lawrence W. Smith
Director of Technical Application and Implementation
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Reference No. 1205-001

Dear Mr. Smith:

Ford Motor Company welcomes the opportunity to comment on the Financial Accounting Standards Board's Exposure Draft, Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries, a replacement of ARB No. 51 (the "Exposure Draft"). We would also like to express our support for the Board's continued effort in aligning international accounting standards.

Overall, we generally agree with the accounting concepts included in the Exposure Draft. However, we have significant concerns related to the retrospective application provisions and additional disclosure requirements contained in the Exposure Draft. We believe the additional costs that will be incurred as a result of implementing these provisions will outweigh the Board's stated benefits of "improved relevance and transparency of information provided to investors, creditors, and other users of financial statements". The additional provisions that are required will increase the complexity of reporting for noncontrolling interests and will provide little additional value to investors.

In addition, we believe the Board's continued movement toward fair value reporting will place an additional financial burden on many companies. The fair value reporting requirements will compel many companies to hire outside experts to develop estimates of fair value at a significant cost to the company. The additional costs of hiring the outside experts will not always result in an increased

level of financial reporting accuracy that the users of the financial statements would consider relevant.

We appreciate the Board's consideration of our concerns as the Board continues to deliberate this issue. We have attached detailed responses to the questions presented by the Board in the Exposure Draft. If you have any questions regarding these comments please contact me at (313) 845-9255.

Sincerely,

/s/

Patricia Little
Accounting Director
Ford Motor Company

## **Exposure Draft Questions**

Question 1 – Do you agree that the noncontrolling interest is part of the equity of the consolidated entity? If not, what alternative do you propose and why?

We agree conceptually that the noncontrolling interest is part of the equity of the consolidated entity. Noncontrolling interests represent a claim on the underlying equity of the consolidated entity.

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 agree with the proposed requirement to present the noncontrolling interest within equity, separate from the parent shareholders' equity. As noted above in question one, we believe the noncontrolling interest represents a claim on the underlying equity of the consolidated (parent shareholders') equity. Presenting noncontrolling interests as a component of equity is preferable to other presentation alternatives such as a liability or "mezzanine" equity. We agree with the Exposure Draft's assertion that noncontrolling interests do not meet the requirements to be considered a liability and that developing a new element for consolidated financial statements is not warranted.

Question 3 – Do you agree with the proposed requirements for attributing net income or loss and the components of other comprehensive income to the controlling and noncontrolling interests? If not, what alternative do you propose and why?

We agree with the proposed requirements for attributing net income or loss and the components of other comprehensive income to the controlling and noncontrolling interests. We also agree that losses in excess of the equity attributable to the noncontrolling interest should be attributed to the noncontrolling interest. Once it has been determined that noncontrolling interests are a component of the equity of the consolidated entity (question one and two above) the noncontrolling interest should behave in a manner similar to equity.

We do believe however, the Board should provide additional guidance on attributing net income or loss and the components of other comprehensive income to the controlling and noncontrolling interests for entities that are consolidated as a result of FIN 46.

Questions 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 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.

Question 5 – Do you agree that any gain or loss resulting from the remeasurement 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 agree that any gain or loss resulting from the remeasurement of a retained investment in a former subsidiary should be recognized in income of the period. However, we would like to reiterate our concerns regarding the costs associated with the Board's continued movement toward fair value reporting (e.g. remeasuring the remaining ownership interest at fair value upon the loss of control of a subsidiary).

Question 6 – Do you agree with the proposed guidance for determining whether multiple arrangements should be accounted for as a single arrangement? If not, what alternative do you propose and why?

We agree with the proposed guidance for determining whether multiple arrangements should be accounted for as a single arrangement.

Question 7 – Do you agree that earnings per share amounts should be calculated using only amounts attributable to the controlling interest? If not, what alternative do you propose and why?

We agree that earnings per share amounts should be calculated using only amounts attributable to the controlling interest.

## Questions 8-12 Disclosures and Question 13 Transition

As we discussed in the body of our letter, we believe the additional costs that will be incurred as a result of implementing the additional disclosures and retrospective application provisions will outweigh the Board's stated benefits of "improved relevance and transparency of information provided to investors, creditors, and other users of financial statements". We do not believe the investment community as a whole would place significant value on the additional disclosures. We believe the Board should reconsider the comprehensive nature of the additional disclosure requirements.