

Accountants and Business Advisors

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Technical Director
Financial Accounting Standards Board
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File Reference No. 1205-001, Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries

We appreciate the opportunity to comment on the Exposure Draft of the proposed Statement, *Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries* (the "Exposure Draft" or "proposed Statement"). We support the Board's efforts to improve the accounting for consolidated entities. In this letter, we set forth specific recommendations to further assist FASB toward achieving these goals and to address the issues for which the Board has specifically requested comments.

In general, we support the objective of (1) classifying noncontrolling interests as equity and (2) presenting separately amounts attributable to the controlling and noncontrolling interests in equity and the income statement. We also support the Board's efforts to achieve greater convergence with international accounting standards. In addition, we support the basic elements of the proposed accounting model, except we request that the Board reconsider the accounting for gains or losses on remeasurement of retained interests subsequent to loss of control.

Question 1: The noncontrolling interest is part of the equity of the consolidated entity

We agree that the noncontrolling interest is equity and not a liability because holders of the noncontrolling interest are owners of a residual interest in a component of the consolidated entity as

explained in paragraph B14. We suggest that the Board consider including the discussion in paragraph B14 into authoritative literature to facilitate the understanding and application of the standard.

Question 2: Separate presentation of the noncontrolling interest in the consolidated financial statement of financial position

We agree that the noncontrolling interest should be presented separately in the consolidated financial statement of financial position because the rights of the controlling interest are distinct from those of the noncontrolling interest and that information is of interest to investors and creditors of the controlling interest.

Question 3: Attributing net income or loss and the components of other comprehensive income to the controlling and noncontrolling interests

We agree with the proposal.

Question 4: Changes in ownership interests that do not result in a loss of control

We agree that the transactions described in paragraph B22 of the basis for conclusions should be accounted for as equity transactions. We suggest that the Board consider including the guidance discussed in paragraphs B22 and B26 into authoritative literature to facilitate the understanding and application of the standard.

Question 5: Recognition of gain or loss on loss of control of subsidiaries

We agree with remeasurement to fair value for the purpose of balance sheet recognition of the retained investment. However, we do not believe it is appropriate to recognize the difference between the fair value and the carrying amount of the retained interest in income because the amount has not been realized through an exchange with an outside party. We think these transactions are analogous to unrealized gains and losses on available-for-sale securities and therefore it would be more appropriate for them to be recorded in other comprehensive income until disposal of the retained interest.

Question 6: Determining whether multiple arrangements are a single arrangement

We agree with the principle that series of transactions should be accounted for as a single transaction when that reflects the economic substance of the events. However, the proposed Statement uses language that suggests that the criteria listed are both necessary and sufficient for determining whether a series of arrangements should be accounted for as a single arrangement. We note that there may be other factors that could be present that would indicate that a series of transactions are a single event. We also note that a company may be required by circumstances to sell a subsidiary in stages, perhaps with options to the acquirer to purchase additional shares that might or might not be exercised. The arrangement may be for strategic or operational reasons rather than to obtain a specific accounting treatment. Therefore, we suggest that the wording reflect that the list of factors be labeled as indicators instead of as conditions for considering multiple arrangements as a single arrangement.

Question 7: Earnings per share

We agree with the conclusion that presentation of earnings per share information is for the benefit of the common shareholders of the parent and that earnings per share should be calculated using only amounts attributable to the controlling interest.

Question 8: Disclosure of total consolidated net income and the amounts attributable to the controlling and noncontrolling interests

We agree with the proposal for the reasons noted in the response to questions 2.

Question 9: Disclosure of Intraproduct income attributable to the controlling interests

We agree with the proposal for the reasons noted in the response to questions 2.

Question 10: Reconciliation of the changes in the noncontrolling interest

We agree with the proposal for the reasons noted in the response to questions 2.

Question 11: Disclosure of a separate schedule of the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest

If the proposed accounting model is appropriate, we do not believe that this disclosure is necessary. We are concerned that requiring this disclosure implies another accounting model is also appropriate since it will enable users to recalculate net income by "reclassifying" transactions recorded in equity as income.

Question 12: Disclosure of the gain or loss recognized on the loss of control of a subsidiary

We believe that the gains or losses should be disclosed along with other relevant facts, such as, the portion of shares disposed of and retained.

Question 13: Proposed transition requirements

We agree with the proposed transition requirements.

Effective date

We recommend that the effective date of the Statement be at least six months from the issue date of the final statements on business combinations and noncontrolling interests. We urge the Boards not to underestimate the amount of time it takes preparers, especially small and mid-sized entities, to understand and implement a new accounting standard.

We would be pleased to discuss our comments and recommendations with Board members or staff. Please direct your questions or comments to Joseph Graziano at (732) 516-5560.

Sincerely,

/s/ Grant Thornton LLP