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Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Exposure Draft, *Consolidated Financial Statements: Policy and Procedures*
File Reference No. 154-D

Dear Sir:

We appreciate the opportunity to provide you with our comments on the Exposure Draft (ED), *Consolidated Financial Statements: Policy and Procedures.* For reasons which we stated in our response to the Preliminary Views issued by the Board in 1994, we continue to believe that the proposed changes to current accounting standards are unnecessary. We do not believe a compelling argument has been made to replace a well-established accounting standard such as Accounting Research Bulletin (ARB) No. 51, *Consolidated Financial Statements*. Rather, we believe that the proposed standard will create complexities and introduce practical implementation issues not present today and result in inconsistent application by financial statement preparers while providing less meaningful financial information than that currently produced. We are disappointed that the Board did not address the significant issues in our response to the Preliminary Views document. Following are our comments on those significant issues and new concerns we recommend that the Board consider prior to issuance of a final standard, if one is determined to be necessary.

Assessing the Existence of Control

We believe that the proposed standard will introduce unnecessary subjectivity and question whether it can be practically applied. ARB No. 51 has provided operational and clear consolidating guidance (i.e., over 50 percent outstanding voting shares with certain exceptions) which we continue to support.

It is not clear to us why "...ownership of a large minority voting interest (approximately 40 percent) and no other party or organized group of parties has a significant interest" was chosen as a circumstance which requires careful consideration in determining whether effective control exists. We believe that "...approximately 40 percent" as a measurement of voting interest leaves much open for interpretation, whereas ARB No. 51 was simple to apply. Further, while the remaining voting interest may be widely dispersed at a given point in time, it could be organized in the future.

Changes in a Parent's Ownership Interest in a Subsidiary

We do not support the Board's conclusions that changes in a parent's proportionate interest in a subsidiary that do not result in a loss of control should be accounted for as transactions in the equity of the consolidated entity. We believe that changes in a parent's ownership interest, excluding purchase transactions of a subsidiary's stock undertaken by the parent, should result in gain/loss recognition in the financial statements. We support SEC Staff Accounting Bulletin No. 51, *Accounting for Sales of Stock by a Subsidiary* which permits in certain circumstances (i.e., where the sale of such shares by a subsidiary is not a part of a broader corporate reorganization contemplated or planned by the registrant), recognition of a gain or loss for the sale of a subsidiary's unissued shares. We believe this guidance appropriately reflects the economic reality of changes in a parent's ownership interest in a subsidiary.

Unfortunately, the Board's proposed provisions which treat single transactions (as described above) differently from step transactions which would require any goodwill arising from the purchase of additional shares of a controlled entity to be treated as treasury stock transactions will most likely result in promoting accounting-motivated behavior and affect comparability between companies.

Temporary Control

We continue to believe that assessment when consolidation is appropriate should occur on an on-going basis and that users of financial statements are better served with financial statements that represent management's intent as of the financial statement date. Accordingly, we do not believe that an evaluation as to whether control is temporary should be made only at the date of acquisition. Rather, such an assessment should be on-going and dependent upon information known as of the financial statement date.

We also believe that control is temporary and that "deconsolidation" is appropriate if a decision is made to dispose of an entity or discontinue an operation (APB Opinion No. 30, *Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*). Therefore, we support the Board's decision to affirm that the "...display provisions of Opinion 30 and its criteria apply to consolidated financial statements."

Control with Minimal Equity Interest

We do not support consolidation of limited partnerships when one is a sole general partner that has a small equity interest. We continue to question how such a consolidation of minimal equity and economic interest helps the financial statement user better understand the company's financial condition and results of operations.

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Again, we thank the Board for this opportunity to present our comments on the ED and strongly urge the Board to reconsider the need for this project and the implementation issues which would result upon issuance of such a standard. We would be pleased to discuss our comments further with members of the Board or its staff. If you have any question, please do not hesitate to contact me or Kathy Zirolli (860/273-1582).

Sincerely,

Ronald M. Oleynoczak