



Letter of Comment No: 32A  
File Reference: 1082-154  
Date Received: 1/18/96

January 16, 1996

Financial Accounting Standards Board  
401 Merritt 7  
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Norwalk, CT 06856-5116

Gentlemen:

This letter is in response to FASB's Exposure Draft (ED), "Consolidated Financial Statements: Policies and Procedures." After studying the ED, we believe the proposal could lead to accounting that doesn't reflect the true economic basis of the underlying transactions. Also, many aspects of the proposal could lead to misrepresentation of companies financial position and reported incomes in the future.

Sepracor is a technology company that is applying its expertise in the field of chiral chemistry to develop and commercialize new and improved versions of widely used pharmaceuticals. We have also successfully implemented a strategy of both acquiring companies and spinning-off complimentary technologies into separate subsidiaries. These spin-offs have resulted in several wholly, majority and minority owned subsidiaries some of which have successfully completed initial public offerings.

Based on our review of the ED, we believe the accounting distortions caused by the proposal will mislead our shareholders, creditors and potential investors. Specifically, there are two key areas where the proposal diverges from current practice enough to conclude that the ED does not accomplish the task of improving the quality of consolidated financial statements. First, the accounting for divestitures and for increasing ownership percentages of publicly traded companies could potentially lead to significantly higher reported profits than actual economic reality. Also, the goodwill resulting from an acquisition made in more than one step is smaller than current practice.

These differences certainly at a minimum could lead to inconsistent reporting practices and at worst to outright abuse by companies. Further by allowing for the potential recording of false profits on sales that actually resulted in economic losses the reliability of financial statements will certainly be impeded. If the ED was to be implemented we would have to consider alternative methods of communicating the actual economic reality of transactions. This would most likely take place in our footnotes to financial statements. This practice will certainly confuse investors and could render financial statements useless.

We also disagree with the Board's conclusions in its definition of control and its use of the economic unit model. This model does not represent both the economic and legal reality regarding parent/subsidiary relationships. Consolidated financial statements are primarily for the benefit of shareholders, creditors and other users of financial information. The use of the

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benefit of shareholders, creditors and other users of financial information. The use of the economic unit model does not meet the information needs of the users of financial data at both the parent and subsidiary level. The notion of trying to meet the need of parent and subsidiary shareholders in one set of financial statements will certainly lead to greater confusion and, at times, could be misleading.

Another area of concern with the economic unit model is the method of recording gains and losses upon equity accounting or control. Specifically, upon obtaining significant influence, marketable securities with unrealized holding gains and losses previously recorded in equity would then be recorded in the income statement. Under this guidance, the ED could lead to even more trading gains, triggered simply by the purchase of an asset by an investor.

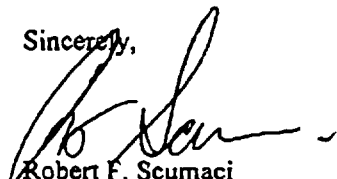
Under the Board's proposed economic unit model, once control is obtained, transactions between the controlling and non-controlling shareholders are considered equity transactions only and therefore would impact the equity accounts of the reporting entity. This would lead to the end of single-step acquisitions as companies would certainly take advantage of the goodwill loop-hole created by this proposal. Another issue relates to the accounting for direct sales of the parent's shares of its subsidiary. By not giving recognition for the gain/loss that occurs upon sale of this asset would again ignore the economic reality surrounding the transaction.

We are also concerned with the Board's proposed definition of control. In the ED control is defined as "power over its assets--power to use or direct the use of the individual assets of another entity in essentially the same way as the controlling entity can use its own assets". This definition could result in the consolidation of entities when the controlling entity has no residual equity rights. We believe that this is misleading to consolidate entities where the controlling entity has no economic interest.

In conclusion, we believe that adoption of this ED would not in any way enhance the reliability, readability or understanding of financial statements. In fact, the various proposals within the ED would lead to greater confusion and in some cases opportunities for abuse in the preparation of consolidated financial statements. Sepracor deeply believes that the accounting for a transaction must follow the economic reality. If not, then accounting will drive the decision making process and not operating considerations.

We appreciate the opportunity to comment on this ED and look forward to continued discussions in the future.

Sincerely,



Robert F. Scumaci  
Vice President  
Corporate Controller