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> Deloitte & Touche

October 5, 2001

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

Dear Mr. Lucas:

We are pleased to provide the following comments on the FASB's Proposals for New Agenda Projects (the "Proposal") including Reporting Information About The Financial Performance of Business Enterprises: Focusing on the Form and Content of Financial Statements (the "Performance Reporting Project") and Disclosures of Information About Intangible Assets Not Recognized in Financial Statements (the "Intangible Assets Project").

Reporting Information About The Financial Performance of Business Enterprises: Focusing on the Form and Content of Financial Statements

We agree there is an increasing focus on alternative measures of performance other than net income and support the efforts of the FASB to ensure the continued meaningfulness and relevance of financial statements. We encourage the FASB to add the Performance Reporting Project to its agenda, however, we do not believe the Performance Reporting Project should be limited in scope to either the minimum approach or the broader approaches discussed in the Proposal.

We understand the issues and concerns articulated in the Proposal regarding alternative measures and countless pro forma results in earnings releases and other investor-related communications, however, changing practice in this area is outside of the general scope of the FASB. In addition, we believe the "key financial measures" to be determined would vary significantly by industry, and even by company within certain industries, and requiring certain specific financial metrics for all enterprises may not also be appropriate. Furthermore, defining and either permitting or requiring presentation of these financial metrics would not prevent an enterprise from continuing



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to develop and define their own financial performance measures. Therefore, we would encourage the FASB not only to focus on providing consistency and defining certain line items in financial statements, but also to consider expanding the scope of the Performance Reporting Project to include a reconsideration of comprehensive income.

The increasing focus on alternative measures of performance other than net income has further strengthened the need for financial statements to provide not only consistency in defining certain line items, but also to provide increased transparency and comparability through more meaningful information. We encourage the FASB to consider alternative means of comprehensively presenting income in a manner that would report information about the financial performance of an enterprise in a way that is both meaningful and provides transparency and comparability to the readers of the financial statements.

We believe the Performance Reporting Project also should address the reporting in financial statements of changes in the fair value of financial instruments. Part of the concern in moving to a full fair value model for financial instruments is that it will distort relationships and make the income statement harder to understand. We believe that before the benefits of a fair value model can be realized it is necessary to ensure that fair value changes are depicted in a meaningful way so as to increase the usefulness of the information in the income statement as a predictor of future results.

For many years we have advocated a separate articulation statement or "Statement of Changes in Provisional Values" to provide a supplementary means of communicating information about an enterprise's activities. We continue to believe that this statement should be used to display components of income that are not currently required to be recognized in the income statement. This approach would not disturb the integrity and usefulness of the income statement as it exists currently, with its focus primarily on revenue and expenses associated with completed transactions, and would serve to bridge the gap between the income statement and a balance sheet that focuses primarily on resources and obligations. Additionally, a Statement of Changes in Provisional Values would allow users of the financial statements to be able to select certain or all components of income in developing performance measures for an enterprise.

Disclosure of Information About Intangible Assets Not Recognized in Financial Statements

We agree conceptually with the problem raised in the Proposal and support the efforts of the FASB to ensure the continued usefulness and relevance of financial statements. However, as discussed in our comment letter dated June 29, 2001 on the FASB's Special Report, Business and Financial Reporting, Challenges from the New Economy, from a practical perspective, we currently believe that the significance and urgency of other practice issues warrants deferral of the Intangible Assets Project.

As stated in our comment letter dated June 29, 2001, we understand the problem articulated in the Proposal regarding recognition of intangible assets and the current reporting model, and we agree that there is a "disconnect" between the market value of an enterprise and its balance sheet.

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Recognizably, many "old economy" and "new economy" enterprises have valuable intangible assets beyond those recognized in their balance sheets. We also recognize that, similar to the divergence in book and market values, an enterprise's performance measures are not always highly correlated with its market value. Nonetheless, while cognizant of questions and concerns regarding the current accounting model, we believe the FASB should first focus its resources on developing standards for pervasive practice issues, most notably revenue recognition and harmonization of international accounting standards (refer to our comment letter of June 29, 2001 for further discussion of these items).

However, if the FASB chooses to proceed with the Intangible Assets Project, we would recommend beginning with disclosures about intangible assets as suggested in the scope of the Proposal including the specific issues raised. A disclosure-based project would address some of the current financial statement shortcomings and also represents the most logical and practical starting point for addressing off-balance-sheet intangible assets.

If you have any questions regarding our comments, please contact John T. Smith at (203) 761-3199.

Yours truly, Deloitte & Touche