## Baruch College

Zicklin School of Business Baruch College The City University of New York

17 Lexington Avenue New York, New York 10010 (212) 802-6448

## STAN ROSS DEPARTMENT OF ACCOUNTANCY

28 May 1999

Mr. Ron Bossio, Project Manager Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, Connecticut 06856-5116

Letter of Comment No: 58 File Reference: 1082-194R Date Received: 6/5/99

File Reference No. 194-B

Dear Sir:

Here is another comment on the revised Exposure Draft, "Consolidated Financial Statements: Purpose and Policy."

The Exposure Draft (para. 7, italics added) states that "[t]he purpose of consolidated financial statements is to report financial position, results of operations, and cash flows of a reporting entity that comprises a parent and its affiliates essentially as *if all of their assets*, *liabilities*, *and activities* were held, incurred, and conducted by a single entity with one or more branches or divisions." Unfortunately, the italicized portion of this sentence mixes purpose of consolidated financial statements with consolidation policy (which subsidiaries) and net asset valuation (full, not proportionate consolidation).

My suggestion is to exclude consolidation policy and valuation issues, which are separate issues, from the discussion of the purpose of consolidated financial statements. What remains is the central purpose of consolidated statements, i.e., to report financial position, results of operations, and cash flows of a parent company and its subsidiaries as if they were a single company with one or more branches or divisions.

Sincerely,

Hugo Nurnberg Professor