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To: **FASB**

Technical Director

File Reference NO 1600-100

From: Washington Society of Certified Public Accountants,

Accounting, Auditing and Review Standards Committee

RE: Proposed Statement of Financial Accounting Standards: Disclosure of Certain Loss

Contingencies, an amendment of FASB Statements No. 5 and 141(R)

We have responded to the following questions:

- Requiring an entity to provide disclosures about loss contingencies, regardless of the 3. likelihood of loss, will have at least the same issues discussed in responses to #4 or #5. Also, if management believes the likelihood of the loss is remote, their estimate of the loss amount would correspondingly be zero. Other than disclosing the claim amount, any additional disclosure seems inconsistent with management's belief that the likelihood of the loss is remote.
- 4. While we believe disclosing the amount of the claim or assessment may result in an improvement in reporting, we believe that, in most cases, management's estimation of the maximum possible exposure to loss would be the claim or assessment amount. Management's estimates of a potential loss amount or declaration of the likelihood of a loss (other than remote) has been used by plaintiffs in the past. We do not see how such information could be other than prejudicial.
- If the loss contingency does not have a specific claim amount, there will be some situations that an entity may be able to provide a reliable estimate of the maximum exposure to loss, but there will also be situations where a reliable estimate cannot be made. It would not be appropriate to require management to make such an estimate in all circumstances.
- We do not believe that disclosure of the amount of settlement offers provides the users any useful information. The nature of an offer means that it can be rejected and it is not binding, usually such procedures are subject to confidentiality. We also believe that, in most situations, providing such information to outside parties during settlement negotiations would negatively impact the entity's position during such negotiations.
- For small entities, that only have one loss contingency disclosed in the financial statements, it is highly likely that disclosure of management's estimate of potential loss, other than \$0 - \$claim amount, would be prejudicial. We believe that the prejudicial exemption is

necessary to protect particularly smaller entities that do not have enough loss contingencies to aggregate, and thereby concealing the details of any one particular loss contingency.

- 9. As stated in response to #8, most small businesses would only have one loss contingency at a particular date. For businesses that have more than one loss contingency, we do not believe that practically, management would estimate losses other than \$0 to \$claim amount, making the two step approach a theoretical approach only.
- 10. We believe that while the FASB may wish the prejudicial exemption to be "rare", practically, especially for small businesses with one loss contingency at a particular date, the prejudicial exemption will occur more often than "rare".
- 11. The description of prejudicial information appears appropriate.
- 13. We have no additional information we believe should be disclosed.
- 14. We believe it is reasonable for entities to implement the proposed Statement in fiscal years ending after December 15, 2008. The disclosure does not require obtaining any information that the entity has not already obtained to consider disclosure under current Statements.

Respectfully,

Laura Lindal CPA Chair, WSCPA AARS Committee

On behalf of Accounting, Auditing and Review Standards Committee Washington Society of CPA'S 902 140th NE Bellevue, WA 98005 425-644-4800