May 17, 1999

Director of Research and Technical Activities File Reference No. 194-B Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116 Letter of Comment No: 3 7
File Reference: 1082-194R
Date Received: $\frac{3}{7}$

Re: Exposure Draft (Revised) Proposed Statement of Financial Accounting Standards Consolidated Financial Statements: Purpose and Policy

Gentlemen and Ladies:

The Accounting Principles and Auditing Procedures Committee is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of over thirty members who are affiliated with public accounting firms of various sizes, from sole proprietorships to international "big five" firms, as well as members in both industry and academia. The Committee has reviewed and discussed the Exposure Draft (Revised) Proposed Statement of Financial Accounting Standards Consolidated Financial Statements: Purpose and Policy. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the organizations with which the Committee members are affiliated.

The comments include those offered by the MSCPA's Real Estate Committee, members of which are from industry, large public accounting firms and mid-level accounting firms.

Within the overall support for the above-mentioned Exposure Draft, we offer the following comments:

- (1) We believe specific examples of when consolidation (i) is and (ii) is not required in particular sets of circumstances involving not-for-profit entities should be given. These examples should include the guidance given in Paragraph 78.
- (2) We believe specific examples of when consolidation (i) is and (ii) is not required in particular sets of circumstances involving real estate limited partnerships, should be given. Focus should be made on Paragraphs 62 through 65 wherein it suggests "control" can shift between the general and limited partners.
- (3) We believe the examples must encompass the contents of paragraph 14 "Ability to Increase Benefits and Limit Losses".

This paragraph would seem to exclude from consolidation many (i) not-for-profit entities and (ii) real estate limited partnerships.

(3) (continued...)

Although in some technical way based upon the exposure draft, such entities may come under defined "control" they do not meet the test of "ability to increase benefits and limit losses".

Also, a very important consideration in requiring consolidations is that the resulting consolidated financial statements result in a meaningful set of financial statements.

We believe that Paragraph 18 b Footnote 2 leaves a very subjective test of when "control" does and does not exist. If such a test is to be used, it would seem to be necessary to define "typically" in relation to percentages of eligible votes casts.

We appreciate the opportunity to present our comments and thank you for your consideration.

Very truly yours,

Leffrey D. Solomon, C.P.A., Chairman Accounting Principles and Auditing

Procedures Committee

Massachusetts Society of Certified Public

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