Deloitte.

LETTER OF COMMENT NO. 4

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Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

File Reference No. Proposed FSP SOP 90-7-a

Dear Mr. Golden:

Deloitte & Touche LLP is pleased to comment on proposed FASB Staff Position No. SOP 90-7-a, "An Amendment of AICPA Statement of Position 90-7" (the "proposed FSP").

We support the issuance of the proposed FSP to nullify the requirement in paragraph 38 of AICPA Statement of Position SOP 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code,* regarding changes in accounting principles with the following specific comments and observations:

- Paragraph 6 of the proposed FSP should expand on the term "accounting standards in effect at the date of emergence." Specifically, how should an accounting standard that permits early adoption but is not yet effective be treated under the proposed FSP? We recommend in such cases, early adoption would be allowed, but not required, when applying the proposed FSP.

- Overall, we encourage the FASB to review SOP 90-7 and to consider potential implementation issues that may result from the interaction of SOP 90-7 and FASB Statement No. 141(R), *Business Combinations*. Statement 141(R) will result in significant changes to the way the acquisition method is applied (previously referred to as purchase accounting). Because the guidance in SOP 90-7 is limited, many have analogized to the accounting requirements in FASB Statement No. 141, *Business Combinations* to fill the gaps. For example, if the reorganization value of an entity emerging from bankruptcy is less than the value of the net assets measured in accordance with Statement 141, entities have relied on the guidance in Statement 141 when allocating the excess over cost to particular assets and liabilities. In addition, entities have followed the allocation period guidance in Statement 141, which differs from the guidance in Statement 141(R), when recognizing adjustments for a one year period after emerging from bankruptcy, typically recognizing those adjustments prospectively. If the FASB is not inclined to comprehensively review SOP 90-7, it would be helpful if the FASB clarified whether, in the absence of guidance in SOP 90-7, an entity should apply the principles in Statement 141(R) or whether it should continue current practice (applying Statement 141) until the FASB directs otherwise.

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We appreciate the opportunity to comment on proposed FSP SOP 90-7-a. If you have any questions concerning our comments, please contact Stuart Moss at (203) 761-3042.

Yours truly,

Deloitte & Touche LLP

cc: James Johnson
Robert Uhl