



LETTER OF COMMENT NO. |

1 November 30, 2007

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5 Mr. Russell G. Golden
6 Director of Technical Application and Implementation Activities
7 Financial Accounting Standards Board
8 401 Merritt 7
9 P.O. Box 5116
10 Norwalk, CT 06856-5116

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12 **Re: File Reference Proposed FSP SOP 07-1-a**

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14 Dear Mr. Golden:

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16 The Planning Subcommittee of the Accounting Standards Executive
17 Committee of the American Institute of Certified Public Accountants (PSC)
18 is pleased to offer comments on the FASB's Exposure Draft of a proposed
19 FASB Staff Position, *Effective Date of AICPA Statement of Position 07-1*.

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21 The PSC opposes the Board's proposal to delay indefinitely the effective
22 date of SOP 07-1, *Clarification of the Scope of the Audit and Accounting*
23 *Guide Investment Companies and Accounting by Parent Company and*
24 *Equity Method Investors for Investments in Investment Companies*, in
25 order to consider implementation issues and whether to modify SOP 07-1.
26 We are particularly concerned that given the open nature of the deferral it
27 may lead to an abandonment of the project. Given that the Board has
28 initiated the FSP project and created an expectation of a deferred effective
29 date and possible revisions to the SOP, however, we believe at this point it
30 is prudent to at least temporarily defer the effective date. We believe the
31 Board should not revise the SOP, but should revise the effective date to
32 fiscal years beginning on or after December 15, 2008, with earlier
33 application encouraged.

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35 The PSC is particularly troubled by the provisions of the proposed FSP
36 that would prohibit early adoption of SOP 07-1 and would permit entities
37 that have adopted the SOP to rescind adoption. The PSC believes that
38 many entities within the scope of SOP 07-1 face no particularly difficult
39 implementation issues and might welcome the added clarity that it brings
40 to the scope of the Audit and Accounting Guide *Investment Companies*
41 (the Guide).

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We have provided more specific comments in the attachment to this letter.

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We appreciate the opportunity to comment on the proposed FSP. We are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

Ben Neuhausen
Chairman
AcSEC's PSC

1 **ATTACHMENT**

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3 Background

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5 The AICPA Audit and Accounting Guide *Investment Companies* (the
6 Guide) provides specialized industry accounting for entities within its
7 scope. As part of that specialized industry accounting, investment
8 companies report their investments at fair value, including but not limited to
9 (1) majority-owned investees that would otherwise be consolidated under
10 GAAP and (2) investments that would otherwise be reported using the
11 equity method of accounting. Anecdotal evidence suggests that fewer
12 entities would apply that specialized industry accounting using the revised
13 scope under SOP 07-1 than under the scope guidance in the current
14 Guide.

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16 During its clearance of the most recent edition of the Guide, the FASB
17 noted that the scope paragraphs were internally inconsistent. As a
18 condition for clearing the Guide, the FASB asked AcSEC to undertake a
19 project to clarify and revise the scope of the Guide. AcSEC undertook that
20 project at the Board's request, leading ultimately to the issuance of SOP
21 07-1. Some believe those clarifications and revisions were in part intended
22 to limit the application of the specialized accounting available to entities
23 within the scope of the Guide.

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25 Over the course of the project leading to SOP 07-1, the FASB held three
26 clearance meetings to discuss the SOP: one meeting prior to exposure
27 and two meetings after exposure but prior to issuance.

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29 In addition, AICPA representatives had several off-line meetings and
30 discussions with FASB staff to discuss concerns raised by various
31 stakeholders, including concerns raised subsequent to issuance of the
32 SOP.

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34 In determining the effective date of the SOP, AcSEC considered the
35 effective date of FASB Statement No. 159, *The Fair Value Option for*
36 *Financial Assets and Financial Liabilities--including an amendment of*
37 *FASB Statement No. 115*, which may affect measurement of certain
38 investments by some entities affected by the SOP. (Specifically, for
39 entities other than investment companies, Statement 159 permits certain
40 investments currently reported at other than fair value to be reported at fair
41 value.) In order to minimize accounting changes and transition issues for
42 entities affected by the SOP, AcSEC concluded that the effective date of

1 the SOP should be such that entities could apply Statement 159 upon
2 adopting the SOP.

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4 We are aware of no new information or implementation issues with SOP
5 07-1 arising subsequent to the FASB's clearance of the SOP. The
6 concerns raised after issuance are similar to concerns raised during the
7 exposure period. AICPA staff, however, is in the process of developing
8 several Technical Practice Aids (TPAs) to clarify certain provisions of the
9 SOP.

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12 Comments

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14 Delaying the effective date of SOP 07-1 may result in the continued
15 application of specialized industry accounting, such as fair value reporting
16 of investments, to a broader group of entities than under the SOP. In
17 addition, delaying the effective date of SOP 07-1 will likely result in broader
18 retention of investment company accounting by parent companies of and
19 equity method investors in investment companies than under the SOP.

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21 As noted above, we are aware of no new information or implementation
22 issues with SOP 07-1 arising subsequent to the FASB's clearance of the
23 SOP. Accordingly, we believe the Board should not reopen issues that
24 have been subject to due process, deliberated by AcSEC, and considered
25 by the Board as part of its clearance process.

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27 If the Board disagrees with the PSC and reconsiders the provisions of the
28 SOP, we suggest the Board consider incorporating the applicable
29 provisions of the draft TPAs AICPA staff is in the process of developing.