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LETTER OF COMMENT NO. 23

Committee on Private Companies

April 10, 2009

Mr. Russell Golden
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116
Sent by email to director@fasb.org

File Reference: Proposed FSP FAS 144-d, Discontinued Operations

Dear Mr. Golden:

The Committee on Private Companies ("CPC") Standards Subcommittee of Financial Executives International ("FEI") wishes to express its views on Financial Accounting Standards Board's ("FASB's") proposed FASB Staff Position (FSP) No. FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operation* (the "proposed FSP").

FEI is the leading advocate for the views of corporate financial management in the United States. It is a professional association of more than 15,000 CFOs, treasurers, controllers and other senior financial managers. With approximately 7,500 members from private companies, FEI has a strong base of knowledge to draw upon with regard to the financial reporting needs and requirements of the private sector. The CPC is a technical committee of FEI, which formulates private company positions for FEI in line with the views of the membership. This letter represents the views of the Committee on Private Companies Standards Subcommittee and not necessarily the views of FEI.

We have concerns about the definition of discontinued operations, some of the proposed disclosures (including related income tax effects), and the effective date of the proposed FSP. Our detailed comments can be found on the attachment.

Thank you for considering our comments. If you have any questions or wish to discuss this issue please feel free to contact me at (412) 257-3885 or Bill.Koch@ddiworld.com, or Edith Orenstein at FEI (973) 765-1046 or eorenstein@financialexecutives.org.

Sincerely,

William Koch
Chair, Standards Subcommittee
Committee on Private Companies
Financial Executives International

**FEI Committee on Private Companies – Standards Subcommittee
Comment letter on Proposed FSP FAS 144-d, Discontinued Operations
ATTACHMENT – Responses to question in the proposed FSP**

1. The proposed FSP would amend the definition of a discontinued operation so that a discontinued operation is a component of an entity that is (a) an operating segment (as that term is defined in FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*) and either has been disposed of or is classified as held for sale or (b) a business (as that term is defined in FASB Statement No. 141 [revised 2007], *Business Combinations*) or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition. Do you agree with the proposed definition of a discontinued operation? Why or why not? If not, what definition would you propose and why?

We believe FASB should directly define what a discontinued operation is without reference to FAS 131, which does not apply to private companies.

Overall, we encourage FASB in setting standards applicable to private companies in particular to consider that more detail can sometimes result in less meaningful information in terms of information overload, and the expressed needs of certain public company financial statement users (e.g. analysts) are often well beyond the expressed needs of users of private company financial statements. Simplicity can be a virtue in this regard.

Additionally, we encourage FASB to consider offering a threshold below which small private companies would be exempted from this standard: we suggest a threshold of \$100 million in total assets.

2. Based on the proposed definition of a discontinued operation, an operating segment is the general level of aggregation for determining whether a component of an entity would be reported in the discontinued operation section of the income statement (or statement of activities for not-for-profit entities). The definition would no longer include certain subsidiaries and asset groups that do not meet the definition of an operating segment. Is it feasible for an entity that is not required to apply Statement 131 (that is, a nonpublic business entity and a not-for-profit entity) to determine whether the component of an entity meets the definition of an operating segment? Why or why not? If not, what definition would you propose for an entity that is not required to apply Statement 131 and why?

We are concerned about the definition in the proposed FSP potentially sweeping in more a granular level of discontinued operations, such as an individual retail location or individual piece of real estate, than would pose significant unnecessary implementation burdens without any substantive incremental meaning to users of the financial statements. We therefore recommend FASB scope its definition of discontinued operations to reflect strategic groupings, and considering materiality to the company as a whole, to avoid a check-the-box application to individual locations such as store locations or pieces of property.

3. Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose and why?

We suggest FASB consider simplifying the proposed disclosure requirements to address the balance of usefulness of information vs. the cost of producing the information. See also our response to question 4 below.

4. Under the disclosure requirements, income tax expense or benefit does not have to be calculated and disclosed for components of an entity that are reported within continuing operations and that have been disposed of or are classified as held for sale. Do you agree or do

you believe it would be beneficial to require income tax expense or benefit to be calculated and disclosed for discontinued components of an entity within continuing operations? If so, how would you calculate and disclose the income tax expense or benefit,

We do not believe it would be beneficial to require income tax expense or benefit information to be calculated for discontinued components, and it would be unnecessarily burdensome to require this, without substantive incremental benefit, particularly for private pass-through organizations.

5. Do you agree with the disclosure exemptions for a business or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition? Why or why not? If not, what changes would you propose and why?

We believe the proposed disclosure requirements go beyond what would be useful information for private company financial statement users, and would add an unnecessary disclosure burden.

6. The proposed effective date is for financial statements issued for fiscal years beginning after December 15, 2009, and interim periods within those fiscal years, with earlier application permitted. The proposed transition is that the FSP shall be applied retrospectively to all periods presented. Are the effective date and transition provisions sufficient for compiling the information needed? Why or why not? If not, what would you propose and why?

We recommend that rather than requiring the new standard in 2010, since other new standards are being implemented this year, and since we believe the incremental value of this standard vs. the disclosure burden should not require this new standard this year, that the proposed effective date be moved to fiscal years beginning after Dec. 15, 2010.