

Please note that the comments expressed herein are solely my personal views

Financial Accounting Standards Board
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- **File Reference No. 2012-210**
- **Presentation of Financial Statements (Topic 205)**
- **The Liquidation Basis of Accounting**

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Accounting Standards Update: Presentation of Financial Statements (Topic 205); The Liquidation Basis of Accounting.

Proposal

Current US GAAP provides minimal guidance on when and how to apply the liquidation basis of accounting. This lack of guidance has resulted in diversity in practices. This proposed accounting standards update clarifies when an entity should apply the liquidation basis of accounting and provides principles for the measurement of assets and liabilities under the liquidation basis of accounting.

The liquidation basis of accounting would be applied when liquidation is imminent. This is consistent in principle with the definition in IFRS. Furthermore, financial statements prepared using the liquidation basis of accounting would reflect relevant information about an entity's resources and obligations in liquidation by measuring and presenting assets and liabilities in the entity's financial statements at the amount of cash or other consideration that the entity expects to collect (or to pay) during the course of liquidation. This would provide meaningful information about the amount of cash that would be available to investors after liquidation. Finally, disclosures would be required concerning the entity's plans for liquidation, methods and assumptions used, the expected duration of liquidation and certain financial information.

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Answers to other specific questions raised by the FASB

Question 1: The proposed guidance would require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent, as defined in the proposed guidance. Is the proposed guidance about when an entity should apply the liquidation basis of accounting appropriate and operational? If not, why?

I agree that the proposed guidance about when an entity should apply the liquidation basis of accounting is appropriate and operational. The proposed guidance is principles-based, which is reasonable and appropriate given the very specific facts and circumstances pertaining to different entity's liquidations.

Question 2: The proposed guidance includes a principle for measuring assets and liabilities, as well as related items of income and expense, using the liquidation basis of accounting. The proposed guidance would require supplemental disclosures about the methods and assumptions used in arriving at those measurements. This guidance is intentionally nonprescriptive in light of the specialized nature of liquidation basis financial statements and the impracticability of providing prescriptive guidance for the myriad of circumstances to which it might apply. Is the proposed guidance on how to prepare financial statements using the liquidation basis sufficient and operational? If not, why?

Yes, the proposed guidance on how to prepare financial statements using the liquidation basis is sufficient and operational. I support the more principles-based, nonprescriptive approach, which is reasonable and appropriate given the very specific facts and circumstances pertaining to different entity's liquidations.

Question 3: The proposed guidance would apply to all entities that prepare financial statements in accordance with U.S. GAAP. Should the proposed guidance differ for any entities (for example, investment companies) whose primary measurement attribute is fair value? If so, why?

No, the proposed guidance should not differ for any entities whose primary measurement attribute is fair value. In this case the proposed guidance would still be appropriate, internally consistent, and fairly straightforward to apply.

Question 4: The proposed guidance would apply to a limited-life entity when significant management activities are limited to those necessary to carry out a plan for liquidation other than that which was specified in the entity's governing documents. Indicators have been provided to help an entity determine whether a plan for liquidation differs from that which was specified in the governing documents. Do you agree with the proposed guidance about when a limited-life entity should use the liquidation basis of accounting? If not, why?

Yes, I agree with the proposed guidance, and indicators, about when a limited-life entity should use the liquidation basis of accounting. The proposed guidance is sufficient and complete in this regard.

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Question 5: The proposed guidance would apply to public and nonpublic entities (that is, private companies and not-for-profit organizations). Should any of the proposed amendments be different for nonpublic entities? If so, please identify those proposed amendments and describe how and why you think they should be different.

No, the proposed amendments should not be different for nonpublic entities. There is no rationale for this.

Yours faithfully

C.R.B.

Chris Barnard