August 18, 2003

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

Proposed FASB Staff Position: Determining Whether a One-Time Termination Benefit Offered in Connection with an Exit or Disposal Activity Is, in Substance, an Enhancement to an Ongoing Benefit Arrangement Subject to FASB Statement No. 112, Employers' Accounting for Postemployment Benefits

Dear Mr. Smith:

Conceptually we agree with the guidance in the proposed FASB Staff Position (FSP), “Determining Whether a One-Time Termination Benefit Offered in Connection with an Exit or Disposal Activity Is, in Substance, an Enhancement to an Ongoing Benefit Arrangement Subject to FASB Statement No. 112, Employers' Accounting for Postemployment Benefits.” However, we observe that the scope of FSPs is limited to questions about the appropriate application of FASB standards for which the FASB staff believes there is only one acceptable interpretation of the standard. We assume that the Board will consider whether the guidance in the proposed FSP is consistent with this scope provision.

While we agree with the guidance in the proposed FSP, we observe that the accounting model for termination benefits offered in connection with an exit or disposal activity will become more complex if the proposal becomes a final standard. That is, if the enhancement is limited to a specified termination event or a specified future period, the enhancement will be accounted for as “one-time” under FASB Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities, and the existing base benefit arrangement will be accounted for under Statement 112. Additionally, for substantive ongoing benefit arrangements, the FSP will require an additional layer of evaluation of past practice to determine which Statement to follow for the enhancement.
If you have questions about our comments or wish to discuss the matters addressed in this letter, please contact John Guinan at (212) 909-5449 or Carmen Bailey at (212) 909-5803.

Sincerely,

KPMG LLP