November 30, 2007

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

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

Dear Mr. Golden:

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

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

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

Background

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

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

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

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

In determining the effective date of the SOP, AcSEC considered the effective date of FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115, which may affect measurement of certain investments by some entities affected by the SOP. (Specifically, for entities other than investment companies, Statement 159 permits certain investments currently reported at other than fair value to be reported at fair value.) In order to minimize accounting changes and transition issues for entities affected by the SOP, AcSEC concluded that the effective date of
the SOP should be such that entities could apply Statement 159 upon adopting the SOP.

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

Comments

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

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

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