Letter of Comment No: 10
File Reference: 1210-001

Texas Society of Certified Public Accountants

October 10, 2005

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference Nos. 1210-001; 1220-001; and 1225-001

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. We appreciate the opportunity to provide input into your deliberations on the above-referenced exposure drafts which amend FASB Statement Nos. 133 and 140.

During our committee's discussion of these exposure drafts, concern was expressed by members over the continued expansion of the guidance related to *Accounting for Derivative Instruments and Hedging Activities*. This expansion, while an obvious attempt to provide formidable guidance on a challenging topic, has resulted in a confusing proliferation of data that has hindered understanding.

FASB Statement No. 133 (FAS 133) was issued in June 1998, with the intention that it would become effective for fiscal periods beginning after June 15, 1999. As FAS 133 approached its effective date, FASB Statement No. 137 was issued delaying FAS 133's effective date until fiscal years beginning after June 15, 2000. Before FAS 133 reached the June 15, 2000 effective date, FASB Statement No. 138 was issued amending a number of provisions of FAS 133. In June 2003, further amendments to FAS 133 were made by FASB Statement No. 149.

Since the original issuance of FAS 133, the FASB's Derivatives Implementation Group (DIG) task force has been addressing FAS 133 implementation issues. As of June 30, 2005 the FASB's web site listed 179 DIG issues at various stages of acceptance. Some of the DIG issues were *cleared*, some were *rescinded*, some were *superseded*, and some were *cross-referenced* to other issues. Periodically, these are codified and included in subsequent amendments to FAS 133.

In December 2001, the FASB issued a book incorporating FAS 133, FAS 137, and certain DIG implementation issues. As of March 2004, the FASB issued an 880-page updated version of this document, this time incorporating guidance through FAS 149 and the cleared DIGs issued as of that date. Thus, in the six years between the original issuance of FAS 133 in 1998 and the last updated codification in 2004, the original 245 page standard has been expanded by over 600 pages. That's an annual average

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growth rate of more than 100 pages per year. Our committee has some serious concerns about the manner in which the guidance in the area of derivatives has been developed.

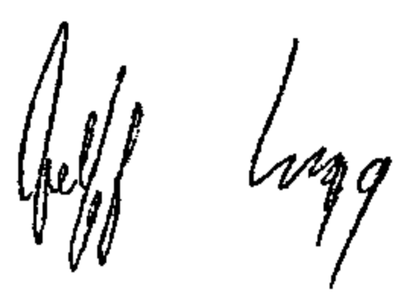
Perhaps it's time to examine the approach being taken in this area of the standard setting process. The approach to date has been the piece-meal addition of increasing levels of complexity. The constant addition of amendments and periodic codifications of the related documents tends to add to the confusion surrounding this topic. We had a similar issue years ago with the Standards for Lease Accounting. The original Standard was amended by numerous subsequent standards, resulting in confusion and frustration on the part of those required to implement the guidance.

Our committee believes it's time to reassess the manner in which the guidance on accounting for derivatives is developed. Perhaps the accounting profession is best served by taking the time necessary to develop sound guidance that is not subject to numerous amendments and alterations in the form of subsequently issued standards.

Our comments apply equally to the amendments to FASB Statement No. 140 being proposed in the above-referenced exposure drafts. When numerous amendments to a standard keep surfacing, perhaps the original standard should be superseded by a subsequent standard that is based on a more thorough and complete analysis of the subject being addressed. Our committee believes that by spending more time on the initial development of a standard we can avoid the confusion and frustration that accompanies the continuous amending of existing standards.

We appreciate the opportunity to provide input into the standard setting process.

Sincerely,



C. Jeff Gregg, CPA
Chairman, Professional Standards Committee
Texas Society of Certified Public Accountants