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April 30, 2003

Letter of Comment No: 2
File Reference: 1063-100
Date Received: 04|30|03

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 Statement of Financial Accounting Standards,
"Accounting for Real Estate Time-Sharing Transactions – an amendment of FASB Statements No. 66 and 67"
(File Reference No. 1063-100)

Dear Mr. Smith:

Ernst & Young LLP appreciates the opportunity to provide our response to the exposure draft for the proposed Statement of Financial Accounting Standards, *Accounting for Real Estate Time-Sharing Transactions – an amendment of FASB Statements No. 66 and 67.* We support the issuance of the proposed Statement of Financial Accounting Standards, *Accounting for Real Estate Time-Sharing Transactions – an amendment of FASB Statements No. 66 and 67,* to facilitate the issuance of the AICPA's proposed Statement of Position, *Accounting for Real Estate Time-Sharing Transactions* (proposed SOP).

In our comment letter to the exposure draft for the proposed SOP, we noted our belief that additional guidance regarding the financial accounting and reporting of real estate time-sharing transactions is needed and the proposed SOP will result in consistency if not improvement in current practice. Further, we believe the significant diversity in practice regarding the recognition and measurement of credit loss allowances, expense deferrals, and accounting for incentives, developer subsidies, and holding period operations demonstrates the need for additional guidance provided by the proposed SOP. Therefore, we supported the issuance of the proposed SOP.

In addition to our responses to the specific questions the Accounting Standards Executive Committee (AcSEC) posed, we also noted that the recent issuance of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (Interpretation 46) did not incorporate the term 'special purpose entity'. As a result, we do not believe the proposed SOP should use that undefined term. Instead we believe the proposed SOP should incorporate a discussion similar to that found in EITF Issue No. 98-8, *Accounting for Transfers of Investments That Are in Substance Real Estate*, which could provide a clear and concise principle supporting AcSEC's conclusion that transfers of time-sharing real estate interests should generally be accounted for in accordance with FASB Statement No. 66, *Accounting for Real Estate* (Statement 66) and refrain from the use of the term 'special purpose entity'. We also believe that a discussion of the impact of Interpretation 46, as it relates to these transactions, would be helpful.

We also believe the proposed SOP should explicitly state that analogies to other industries beyond real estate are not permitted.

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We would be pleased to meet with the FASB or its staff to discuss our comments.

Very truly yours,

Ernst + Young LLP