



The Dow Chemical Company
Midland, Michigan 48674

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Letter of Comment No: 115
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Director of Research and Technical Activities
Financial Accounting Standards Board
File Reference No. 154-D
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Dear Sir:

We have reviewed the Exposure Draft titled, Consolidated Financial Statements: Policy and Procedures. While we are generally in agreement with the approach set forth in the exposure draft, we question the assumption that control of an asset is a valid criterion to require the consolidation of an entity in which an enterprise has no ownership interest.

Example 5 - Creation of a Special-Purpose Leasing Entity to Benefit the Creator, sets forth a scenario in which one corporation creates a company that is a special-purpose entity to construct, own and lease several store locations for the corporation. The store locations are the only assets of the special purpose entity and are all leased to the corporation. This example would require the special-purpose entity to be consolidated because the creator exercises control over the assets even though the creator has no ownership interest and no rights to the earnings and profits generated from this legitimate business enterprise.

The requirement to consolidate the special-purpose entity would be in direct contradiction with the established criteria of FASB Statement No. 13, *Accounting for Leases*. The issues related to this transaction are related to lease accounting and not consolidation policy and we disagree with the approach of this statement to consolidate these entities. Such an approach would result in similar transactions being treated differently based solely on the entity with which the transaction is conducted.

In addition to disagreeing with the concept regarding special-purpose entities, we disagree with it being applied retroactively to these entities in the event that this concept is adopted. These entities were set up with specific guidance from the FASB and the SEC. This proposal would undoubtedly lead to some unproductive activity to restructure lease agreements or transfer leased assets to other entities that would not be consolidated. To avoid this potential for unproductive activity we believe this concept should be applied prospectively.

Finally, as a practical matter, when there is no ownership interest, the entity has no reason contractually or otherwise to supply the financial statements to be consolidated. In such a case, an enterprise would have no recourse to obtain the statements. This evidence alone would indicate a lack of control over the entities in question.

We appreciate the opportunity to submit our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas F. Ward". The signature is fluid and cursive, with the first name "Douglas" and last name "Ward" clearly legible.

Douglas F. Ward
Director of Corporate Reporting
(517)636-9610

nac