Mobil Corporation

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STEVEN L. DAVIS CONTROLLER

May 24, 1999

Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
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Letter of Comment No: 57
File Reference: 1082-194R
Date Received: 5/26/99

FILE REFERENCE 194-B
PROPOSED STATEMENT OF
FINANCIAL ACCOUNTING
STANDARDS —
CONSOLIDATED
FINANCIAL STATEMENTS:
PURPOSE AND POLICY

Dear Mr. Lucas:

We are pleased to have the opportunity to comment on the Proposed Statement of Financial Accounting Standards ("Proposed FAS") entitled <u>Consolidated Financial Statements: Purpose and Policy.</u>

In our comment letters to the previous exposure draft in 1996, the preliminary views document in 1994, and the discussion memorandum in 1992, we have consistently questioned the need for adopting a new standard for consolidations. We have also expressed our views that policy should not be considered without considering procedures and fully understanding the consequences, both expected and unintended, that a change in consolidation policy will have on the financial statements. This understanding can only be obtained through extensive testing and subjecting the policy to the rigors of practical application.

Mobil

Mr. Timothy S. Lucas
Financial Accounting Standards Board

Page Two

May 24, 1999

We recognize that there are certain situations that might need attention, such as accounting for special purpose entities and joint ventures, however, trying to resolve these issues can best be accomplished by directly addressing them rather than by changing the entire consolidation accounting model. We also acknowledge that control is an important element in determining whether an entity should be consolidated, but clearly majority ownership is the primary criterion. We do not believe that a new standard is required, as there is sufficient guidance in SEC Regulation S-X Article 3A and EITF 96-16 to determine those entities that need to be consolidated.

As a result of our belief that a new standard on consolidation policy is not required, we are not responding directly to the issues identified in the Proposed FAS. We do, however, support the alternative view expressed in paragraphs 248 through 256 about rebuttable presumptions

Very truly yours,

S. L. Davis