



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

325 WEST COLLEGE AVENUE • P.O. BOX 5437 • TALLAHASSEE, FLORIDA 32314
TELEPHONE (904) 224-2727 • FAX (904) 222-8190

December 22, 1995

Letter of Comment No: 45
File Reference: 1082-154
Date Received: 1/5/96

Financial Accounting Standards Board
File Reference 154-D
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Gentlemen:

The Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants has reviewed the Exposure Draft, Proposed Statement of Financial Accounting Standards titled "Consolidated Financial Statement: Policy and Procedures" and would like to share our comments with the Financial Accounting Standards Board (FASB) members.

GENERAL RESPONSE

As our members have stated in our past responses, we agree with the uses of the control definitions as they pertain to not-for-profit organizations. While we see that you have addressed most of the concerns we had as to their application to other than not-for-profit organizations, we still do have concerns, which are specifically stated in the following paragraphs.

SPECIFIC CONCERNS

SCOPE-PARAGRAPH (P) 4 Our experience with entities listed in your example of organizations not covered by the statement is that they would not ever be covered in any event. Could you give some further examples, or can we assume universal practical coverage, at least until such time as Fair Value accounting becomes a Generally Accepted Accounting Principle (GAAP) ?

CONTROL MEASUREMENT TESTS. P 14 (b) & (c) Failure to refer to intent respecting both of the subparagraph gives rise to the question as to whether consolidation would be mandatory in both cases, even though there was not intent evidenced, in the past, present or future tense. Are we to always assume positive intent?

MINORITY INTEREST ISSUES, P 23 ff. The statement does not, but should address complex partnership organizations included in the consolidation and methods of treatment for complicated issues. For example, why should the controlling interest absorb losses attributable to noncontrolling interest where partners in that controlled organization have fixed and determinable obligations to make good on any losses and recovery is assured? While all organizations are included in the scope of the statement, few organizations of a nature other than corporations are considered in the discussions of the issues.

Illustrations are helpful but limited and should be expanded to include those type organizations.

Financial Accounting Standards Board

December 22, 1995

Page 2

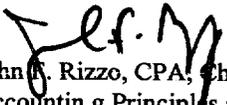
STEP TRANSACTIONS, P 28 & 125 When a step acquisition takes place over a period of time, should intent be a consideration for the accounting treatment required prior to the noncontrolled entity becoming a controlled entity? For example, if the intent always is to gain control of a nature which results in consolidation, should the FASB Statement No. 115 treatment addressed in P 28 always be used, or should some other treatment be proper where it is obviously meant to be a step acquisition transaction?

GOODWILL, P 26 & 27 Our members are concerned about the exclusion of Goodwill treatment as to minority interest, while including only that applicable to the controlling interest, no matter when the minority interest became such. What if minority interests occurred subsequent to the time the controlling party gained control, and there should, normally be some goodwill consideration applicable to that interest? Why should assets, liabilities and goodwill be restated in consolidation, only to the extent of the controlling parties degree of ownership?

EFFECTIVE DATE AND TRANSACTION, P 37 & 38 Concerns here pertain to timing especially in cases where comparative financial statements are required and/or desirable. With the date proposed, a calendar year 1997 consolidated report including prior year's comparative information, reflecting the change in principle might be burdensome in cases where the ultimate FASB Statement is delayed until late 1996. Should the effective date be further into the future, still allowing for earlier application, but eliminating the argument which could be made over the workload caused by not knowing far enough in advance what the Statement will finally require? As to the earlier application authorized, how far back may it be applied? Where trend financials are included, would proforma financials suffice, or should the financial be totally reflective of the retroactive change?

We appreciate the opportunity given us to provide our comments in response to the Exposure Draft. Representatives of our committee are available to discuss these comments with the Board or its representatives at their convenience.

Very truly yours,


John F. Rizzo, CPA, Chairman
Accounting Principles and
Auditing Standards Committee
Florida Institute of Certified Public Accountants
(954) 627-0024

Members of Task Force to Coordinate
Response Letter:

Steven Michael Berwick, CPA, 305-858-5600
William J. Odendhal, Jr. CPA, 904-620-0035
Jed S. Kapsos, CPA, 305-381-7663

Copy to: Jeffrey H. Green, CPA, Vice President-Technical