

May 20, 1999

Letter of Comment No: 20
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Mr. Timothy S. Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Lucas,

Dell Computer Corporation (the "Company") is pleased to comment on the FASB's Exposure Draft, "*Consolidated Financial Statements: Policy and Procedures*" (the "ED"). We commend the Board for its effort to provide a uniform and comprehensive standard addressing consolidation policies and procedures that would apply to substantially all entities regardless of their form.

We strongly support the Board's conclusion that the basis for accounting consolidation is when one entity has "effective control" over another. We believe that effective control focuses on the substance, not the form of the parent/ subsidiary relationship and is the appropriate framework in which to address consolidation. We agree with the Board that such effective control can be presumed in certain situations, such as those described in paragraph 10 of the ED.

We urge the Board however, to clarify the current wording in paragraph 38 relating to a parent company's ability to increase its benefits, which are not limited to benefits derived through an ownership interest. Given the variety of transactions that fall under "actions that result in revenue enhancements or cost savings," we think that the current wording is unclear as to the nature of these benefits which could be deemed as having "effective control" over an entity. For example, assume that a company has outsourced warranty services for its products to an unrelated entity for a period of years. Even though the company does not have effective control over the unrelated entity, the company is able to generate significant cost savings by outsourcing the warranty services to the unrelated entity. It is unclear to us how to apply the requirements of paragraph 38 in this instance.

We appreciate the opportunity to express our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin P. Hegarty". The signature is stylized and somewhat illegible due to the cursive nature of the writing.

Kevin P. Hegarty
Vice President and Corporate Controller
Dell Computer Corporation