

May 18, 1999

Mr. Timothy Lucas
Director of Research and Technical Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticutt 06856-5116

Letter of Comment No: 35 File Reference: 1082-194R Date Received: 5/25/99

Dear Mr. Lucas:

The Accounting Standards Committee of the Maryland Association of Certified Public Accountants would like to respond to the Financial Accounting Standard Board's proposed Statement of Financial Accounting Standards, "Consolidated Financial Statements: Purpose and Policy." Our Committee is comprised of CPAs with widely diverse levels of financial, academic and accounting expertise, including small practitioners, an academician, a member in Big Five public accounting and individuals from the user community.

Our specific comments follow.

## Issues 1 and 2: Definition of Control and Its Implementation Guidance

The Committee agrees that the proposed Statement clarifies the definition of control. Additionally, we agree with the Board's determination that guidance provided in the form of rebuttable presumptions of control (paragraphs 18-21) serve as useful tools in implementation and should minimize inconsistencies in the interpretation of the definition of control. We feel that the examples provided by the Board are clear and complete.

However, the Committee is concerned that the Statement may not lead to common understandings and applications of its revised definition of control, particularly with respect to entities with different legal structures — for example, a not-for-profit organization that controls a for-profit organization and their different accounting (i.e., accounting for investments) and financial reporting standards. We urge the Board to consider such differences either through the consideration of accounting standards that create greater consistency among such organizations or additional disclosures, either within the scope of this project or a Statement on consolidation procedure.

## Issue 3: Transition and Implications for Interim Reporting

The Committee believes that the benefits of comparative financial statements for the all interim periods in the initial year of application adequately justify requiring, rather than permitting, that the provisions of the Statement be applied for the first and all subsequent interim periods in the year of adoption. We considered the cost of preparing comparative financial statements to smaller organizations, but recognize that non-public entities may elect not to present comparable financial statements to the extent that they determine that such costs outweigh their benefits.

\*\*\*\*

We would be pleased to discuss our comments and recommendations with the Board or its staff at any time.





Sincerely,

Jeffrey T. Zoller, CPA Subcommittee Chair

Judith Barnhard, CPA Committee Chairman

aith Barnhard/L