## Susan Cassell

Andrew Payne From:

Friday, May 28, 1999 9:49 AM Sent:

Susan Cassell To:

FW: Comments regarding proposed statement--Consolidated Financial Statements: Purpose Subject:

and Policy

Susan.

Below you will find a comment letter. Please add to the file.

Thank you, Andrew Payne Postgraduate Technical Assistant **FASB** Dapayne@FASB.org (203) 847-0700 (x537)

Letter of Comment No: /// File Reference: 1082-194R Date Received: 6/5/99

From: Robert Rouse

Sent: Sunday, May 23, 1999 11:28 AM

To: tslucas@fasb.org Cc: dapayne@fasb.org

Subject: Comments regarding proposed statement-Consolidated Financial Statements: Purpose and Policy

Tim, Andrew Payne spoke to my Current Issues Course this spring. He did an excellent job!

As an assignment for Andrew's presentation my grad students were required to make comments about the revised ED for Consolidated Financial Statements. I have included some of their comments which are theirs and not mine.

One student, Hongie Wang, wrote:

"A broad definition of control can achieve a significant improvement in practice by developing a consolidation policy that would apply to all entities and would focus on the economic relationship among organizations, rather than their legal form. Present standards issued by the FASB and its predecessors are primarily directed at business enterprises formed as stock corporations. Thus, they have limitations in their application, particuarly when entities form alliances through means other than stock corporations. The world is changing rapidly. In recent years other courties and organizations, including the European Community and the International Accounting Standards Committee, have replaced majority ownership with control as the principal consolidation criterion, broadening the reporting entity. Although our present standard-consolidate all majority owned subsidiaries-can be applied in practice with relative ease, it does not address our changing environment and those circumstances where control exists through means other than majority ownership of a corporate entity. Moving from an easy to apply rule to an broader based concept of control is a necessary step to keep financial reporting relevant. And it is also a great help to enhance the harmonization of global accounting standards."

Another student, Derrick Potts, adds: The ED lists several protective rights that are granted to limited partners. One of these rights is the right to propose, approve, or disapprove, by voting or otherwise the sale, exchange, lease, mortgage, pledge, or other transfer of all of the assets of the partnership. According to Section 303(b) of the Uniform Limited Partnerhsip Act, this right is not deemed to be participation in control of the business. However, the ED states, "...if a limited partner or partners have a current ability to propose and approve the liquidation of the limited partnerhsip..that would indicate that the general partner merely has delegated decision making powers.." The ED contradicts the Uniform Limited Partnership Act.

These are two of the more pertinent observations made by my students in their papers submitted prior to Andrew's presentation.

As you know, Andrew is my fifth intern, and I hope not my last. What a wonderful program.

Thank you for reading these comments and for allowing us to participate in the FASB's 'due process'.

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