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LETTER OF COMMENT NO. 27

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Technical Director
File Reference No. 1650-100
Financial Accounting Standards Board
401 Merritt 7
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PricewaterhouseCoopers appreciates the opportunity to comment on the FASB's Proposed Statement of Financial Accounting Standards, *Going Concern* (the "proposed Statement").

We agree with the Board that guidance on management's responsibility to evaluate an entity's ability to continue as a going concern should be included in US generally accepted accounting principles (GAAP).

While we support convergence of US GAAP and International Financial Reporting Standards, we are concerned with the implications of the changes in the proposed Statement and believe the modifications discussed below are necessary to bring the Board's guidance into greater alignment with the going concern framework currently used by management and auditors of both public and non-public companies in the US pursuant to AU Section 341, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concem* (AU 341).

Time horizon for going concern evaluations

We are concerned with the open-ended nature of the IAS 1 time horizon that the Board has proposed ("at least, but not limited to, twelve months from the end of the reporting period"). We believe that the focus in AU 341 on assessing the entity's ability to continue as a going concern in the period up to twelve months from the date of the financial statements is important and appropriate. In the context of going concern, investors and other users of the financial statements are most interested in what happens over the next twelve months from the date of the financial statements. We recognize that the Board rejected the time horizon in AU 341 ("a reasonable period of time, not to exceed one year") because of the perception that its "bright line" approach may discourage consideration of significant events or conditions occurring just beyond one year. We agree that such a bright line would be inappropriate. In our experience, however, management and auditors in the US currently evaluate information that is available, even if beyond the one-year horizon, in determining appropriate transparency in management's disclosures.

We are particularly concerned that the Board's adoption of the IAS 1 time horizon, without additional guidance to narrow its scope, may divert management's attention from assessing the entity's nearer-term (up to 12 months) viability in favor of longer-term, but less reliable and less meaningful, assessments. Recent market conditions demonstrate that even going concern assessments in the timeframe of less than one year can be extremely difficult. Management's assessment of an entity's going concern provides increasingly less value for users the further out the time horizon extends because the information underlying the assessment becomes increasingly less reliable and less meaningful the further out you project.

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We believe that the proposed Statement should require management to consider information that is "generally limited to a 12-month period". However, the proposed Statement should also require management to consider events or conditions occurring just beyond the one-year time horizon that are significant.

In addition, we are concerned that the requirement that management take into account "all available information about the future," combined with the open-ended time horizon, inappropriately imposes a responsibility on preparers to look into the future, without limitation, for all available information, regardless of quality or relevance, to support its going concern assessment. We believe the proposed Statement should include language similar to that used in AU 341, which would limit management's responsibility to basing a conclusion about an entity's ability to continue as a going concern on knowledge of relevant conditions and events that exist at or have occurred prior to the issuance of the financial statements.

Requiring disclosure when substantial doubt about going concern is alleviated

We support the framework for disclosures in the proposed Statement. We interpret the requirement in paragraph 7 that management should disclose "material uncertainties about events or conditions that may cast substantial doubt upon the entity's ability to continue as a going concern" to require disclosure of instances when substantial doubt about the entity's ability to continue as a going concern may have existed, but after further analysis, in the judgment of management, was alleviated prior to the issuance of the financial statements, as well as when substantial doubt remains. In order to clarify this position, we recommend adding a third condition to paragraph 1 of the proposed Statement as follows:

c. Substantial doubt about the entity's ability to continue as a going concern may have existed, but was alleviated prior to the issuance of the financial statements.

Editorial change

We recommend that the FASB make the following editorial change to paragraph 5 of the proposed Statement to make it clear that substantial doubt about an entity's ability to continue as a going concern does not necessarily result in a conclusion that preparation of financial statements on a going concern basis is inappropriate:

5. Even when management has determined that preparation of the financial statements on the going concern basis is appropriate, mManagement may nonetheless become aware of material uncertainties identify information about certain conditions or events that, if considered in the aggregate, indicate there could be substantial doubt about the reporting entity's ability to continue as a going concern. The significance of such conditions and events will depend on the circumstances, and some may have significance only when viewed in conjunction with other conditions or events. The following are examples of those conditions and events: [items omitted]

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We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions you may have. Please contact Jorge Milo (973-236-4300) or Brian Croteau (973-236-4345) regarding our submission.

Sincerely.

Princewaterhouse Corgans LLP