2011-200
Comment Letter No. 27
2011-210
Comment Letter No. 29

Financial Reporting ADVISORS

Financial Reporting Advisors, LLC
100 North LaSalle Street, Suite 2215
Chicago, Illinois 60602
312.345.9101
www.FinRA.com

February 9, 2012

VIA EMAIL TO: director@FASB.org

Technical Director
File Reference No. 2011-200
File Reference No. 2011-210
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, *Financial Services—Investment Companies*
Proposed Accounting Standards Update, *Real Estate—Investment Property Entities*

To Whom It May Concern:

Our firm, Financial Reporting Advisors, LLC, provides accounting and SEC reporting advisory services, litigation support services, and dispute resolution services. We specialize in applying generally accepted accounting principles to complex business transactions. We appreciate the opportunity to provide comments on the FASB's Proposed Accounting Standards Updates, *Financial Services—Investment Companies* and *Real Estate—Investment Property Entities* (the EDs).

In general, we believe that accounting standards should be based on business activities rather than based on specific industries. We note this view is consistent with the recommendations in the Final Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission (commonly referred to as the "Pozen Committee")[1] and is consistent with the approach taken by the FASB over the last number of years.[2] That being said, we do acknowledge that the fair value accounting model contained in US GAAP for

[1] Recommendation 1.6 of the Pozen Committee report states, "U.S. GAAP should be presumptively based on business activities, rather than industries."

[2] For example, the stated goals of the FASB's current project on revenue recognition include the elimination of industry-specific revenue recognition guidance and thereby "improving comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets" as well as "simplifying the preparation of financial statements by reducing the number of requirements to which entities must refer."

investment companies has stood the test of time and we believe has provided useful information that has met the needs of users and preparers of such entities. Accordingly, we are supportive of the FASB's project to retain the investment company accounting model and to clarify the scope of that model.

We do not support establishing a new industry-specific accounting model for investment property entities. We believe there must be a truly compelling reason to deviate from basing accounting standards on business activities and we simply do not find the reasons cited in the ED for the creation of an industry-specific model for investment property entities to meet that threshold. We do agree that there is currently diversity in practice related to entities that invest in real estate. However, we do not believe that diversity should be resolved by creating a new industry-specific accounting model. Rather, we believe real estate entities, just like all other entities, should determine whether they are within the scope of the investment company guidance. If so, they should apply that guidance. If not, they should apply existing authoritative guidance to their business activities.

We note that the majority of the criteria to be an investment company and to be an investment property entity are the same. We urge the FASB to review the criteria that differ when redeliberating the investment company guidance such that the final criteria for the investment company guidance are appropriate regardless of whether the entity owns financial assets, real estate, or any other type of asset.

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Once again we appreciate the opportunity to comment on the EDs. If there are any questions, please contact Richard R. Petersen at 312-345-9102.

Sincerely,

Financial Reporting Advisors, LLC