

Please note that the comments expressed herein are solely my personal views

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
www.fasb.org

Chris Barnard
Germany

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- **File Reference No. EITF-12A**
- **Statement of Cash Flows (Topic 230)**
- **Not-for-Profit Entities: Classification of the Sale of Donated Securities in the Statement of Cash Flows**

Dear Sir,

Thank you for giving us the opportunity to comment on your Exposure Draft: Statement of Cash Flows (Topic 230); Not-for-Profit Entities: Classification of the Sale of Donated Securities in the Statement of Cash Flows.

Proposal

The proposed amendments would require a not-for-profit entity (NFP) to classify cash receipts from the sale of donated securities consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of unrestricted donated securities that upon receipt are directed for sale. Accordingly, the cash receipts from the sale of those securities would be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts would be classified as cash flows from financing activities. Otherwise, receipts from the sale of donated securities would be classified as cash flows from investing activities by the NFP.

The proposal is reasonable and will improve internal consistency, as the receipt of a donated security and its near immediate conversion into cash is economically similar to the receipt of cash donations. The "near immediate conversion into cash" condition is the key one here, as this allows the NFP to avoid the significant investment risks and rewards that are more synonymous with investing activities.

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Answers to other specific questions raised by the FASB

Question 1:

Do you agree that the scope of this proposed Update should be limited to cash receipts of NFPs resulting from the sale of donated securities (a) that upon receipt are directed for sale and (b) for which the NFP has the ability to avoid significant investment risks and rewards through near-immediate conversion into cash? If not, should the scope be expanded by including donated assets other than securities and/or removing criterion (b)? Do you have another recommendation as to scope?

The scope is reasonable and clear, and will cover the most material donated assets in this regard.

Question 2:

Do you agree that cash receipts of NFPs resulting from the sale of donated securities (a) that upon receipt are directed for sale and (b) for which the NFP has the ability to avoid significant investment risks and rewards through near-immediate conversion into cash should be classified as operating cash flows unless the cash receipts meeting conditions (a) and (b) must be classified as a financing activity because the donor restricted the use of the contributed resources to long-term purposes? Do you also agree that all other cash receipts of NFPs resulting from the sale of debt and equity securities not meeting those conditions would be classified as investing cash flows? If not, please explain why.

Yes, I agree with this. This is reasonable and appropriate, as it would classify the cash receipts of NFPs resulting from the sale of donated securities consistently with their duration and investment risk and reward profiles.

Yours faithfully

C.R.B.

Chris Barnard