Ernst & Young

Ernst & Young LLP

* 1 6 7 0 - 1 0 0 *

LETTER OF COMMENT NO. 1

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

15 May 2009

Proposed Statement of Financial Accounting Standards, Rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections
File Reference No. 1670-100

Dear Mr. Golden:

We appreciate the opportunity to comment on the Proposed Statement, *Rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections*. In general, we agree with the changes included in this proposed Statement and that the proposed Statement meets the project's objective to clarify certain previously issued standards, eliminate certain outdated guidance, and address certain inconsistencies in the accounting literature. In addition, we do not believe that any of the proposed technical corrections will result in unintended substantive changes to existing accounting pronouncements that would require transition provisions. We do however, have specific observations regarding several of the amendments as proposed. These are as follows:

Paragraph 8.a. proposes amendments to APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* (APB 18). In so doing, a reference is made to paragraph B1 of FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements* (Statement 160). This paragraph would be more appropriately referenced as paragraph B1 of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, as amended by Statement 160.

Paragraph 8.c. (3) proposes amendments to paragraph 30 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (Statement 133). We recommend that the reference in paragraph 30(b) to "perhaps under a regression analysis approach" be rephrased to say "perhaps under a regression analysis *or other statistical analysis approach*." Our recommended change would be consistent with the discussion in Statement 133 Implementation Issue E7, "Methodologies to Assess Effectiveness of Fair Value and Cash Flow Hedges." In addition, we would recommend a slight rephrasing of the proposed new language in paragraph 30(d). Rather than adding the words "and adjust earnings for the initial spot-forward difference associated with the hedging instrument," we recommend that the language be, "and adjust earnings for *any* initial spot-forward difference associated with the hedging instrument." Our recommended revision would acknowledge that not all non-option-based contracts have an identifiable initial spot-forward difference. For example, cross currency swaps, because they represent a series of cash flow exchanges, do not have a specific single spot-forward difference that is reclassified from other comprehensive income to earnings in the same way that an accumulation of separate individual forward contracts would (the latter is illustrated in Statement 133 Implementation Issue G23, "Hedging Portions of a Foreign-Currency-Denominated Financial Asset or Liability Using the Cash Flow Model").

Paragraph 8.l. proposes amendments to AICPA Practice Bulletin No. 11, *Accounting for Preconfirmation Contingencies in Fresh-Start Reporting* (PB 11) to be consistent with AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7). One of the proposed changes would replace the word *allocated* in paragraph .03 with the word *assigned*. We note that PB 11 uses the term *allocated* in other instances that would not be amended. We recommend a more global change such that the terminology will be consistently applied throughout the standard. Moreover, we observe that pursuant to FASB Statement No. 141(R), *Business Combinations* (Statement 141(R)), an entity does not assign or allocate costs (but rather, recognizes assets acquired, liabilities assumed and noncontrolling interests at fair value). Although Statement 141(R) did amend SOP 90-7, a more comprehensive change to SOP 90-7 and related guidance to be consistent with the fair value measurement guidance provided in Statement 141(R) may be appropriate.

Paragraph 8.n. proposes amendments to the FASB Special Report, *A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities* (the Special Report). We agree that at the time the Proposed Statement was issued, these changes were appropriate to eliminate the references in the Special Report to the requirement to disclose amortized cost amounts for available-for-sale securities. However, subsequently, the Board issued FASB Staff Position No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2), which reinstates this disclosure requirement. FSP FAS 115-2 states that "[f]or securities classified as available-for-sale or held-to-maturity, an entity shall disclose the amortized cost basis by major security type that the entity discloses in accordance with Statement 115 as of each date (interim and annual) for which a statement of financial position is presented." Thus, the proposed technical amendments should be revised in consideration of the requirements of FSP FAS 115-2.

Paragraph 9.a. proposes amending APB 18 paragraph 3(d) to update the term *minority* to *noncontrolling*. We agree with the change, but note that the phrase "A noncontrolling public ownership" would be clearer if written as "A noncontrolling interest held by the public".

We would be pleased to discuss our comments with the Board members or the FASB staff at your convenience.

Very truly yours,

Ernst + Young LLP