

Financial Accounting Standards Board

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EDMUND L. JENKINS
Chairman

October 4, 2000

The Honorable Spencer Abraham
United States Senate
Washington, DC 20510

Dear Senator Abraham:

Thank you for letter of September 29, 2000, regarding the Financial Accounting Standards Board's ("FASB" or "Board") project to improve the transparency of the accounting for business combinations.

Since first adding the project on accounting for business combinations and intangible assets to its agenda in 1996, the Board has held over 50 public meetings, issued 2 preliminary documents and the proposed statement, *Business Combinations and Intangible Assets*, for public comment, and carefully analyzed and continues to discuss, at public meetings, over 400 comment letters received from a broad range of companies, investors, and other constituents.

In February of this year, the Board held 4 days of public hearings to discuss the proposed statement with over 40 interested constituents. In addition, I participated in hearings held by the Committee on Banking, Housing, and Urban Affairs and the Finance and Hazardous Materials Subcommittee of the Committee on Commerce in March and May, respectively. I also participated in a roundtable meeting and discussion of the accounting for goodwill held by the Committee on Banking, Housing, and Urban Affairs in June.

In April, the Board began its redeliberations of all of the issues contained in the proposed statement. The current focus of the Board's redeliberations involves carefully evaluating all of the alternatives received from constituents about how goodwill should be accounted for. The Board is considering an approach in which goodwill recognized as a result of a business combination might not be amortized. During October, we plan on discussing that approach with various companies and conducting field visits to gather input on how that approach might be implemented.

The Board has yet to redeliberate the related issue of whether to retain the pooling-of-interests method of accounting for business combinations. The Board will not begin discussion of that issue until it has reached a set of tentative decisions with respect to the accounting for goodwill that will best meet the concerns of investors, creditors, and other users of financial statements—as well as companies that prepare financial reports.

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The Board has received, and continues to receive, a great deal of very good input on the proposed statement on the accounting for business combinations and will continue to redeliberate the issues based on that input. The Board has not set any deadline for completing the project, and we are certainly not rushing to any final conclusions.

In the Board's most recent quarterly review of all FASB projects, we determined that we will not be able to complete the project on business combinations by the end of the year 2000; rather, completion is now estimated to occur no earlier than late in the first quarter of 2001, well after Congress reconvenes. That estimate could be extended further depending upon the progress of the Board's redeliberations.

I can assure you that the Board's open due process and independent and objective decision making will be carefully and fully carried out with respect to the project on business combinations. To do otherwise would jeopardize the very foundation upon which private-sector accounting standard setting was created.

I appreciate your interest in the Board's efforts to improve the transparency of the accounting for business combinations. Please let me know if the FASB staff or I can provide any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Edmund Jenkins". The signature is written in black ink and is positioned below the word "Sincerely,".