

September 14, 2010

Technical Director  
File Reference No. 1840-100

Re: Exposure Draft of Contingencies (Topic 450), Disclosure of Certain Loss Contingencies

Comments submitted by: Accounting and Auditing Standards Committee—Society of Louisiana Certified Public Accountants

We would like to offer a specific comment on the proposed standard which is listed in the following section.

**Specific Comments:**

While I agree with the intention of the exposure draft to provide additional relevant information to financial statement users, I do have some concerns over the application of the standards proposed. I believe that the requirement to disclose remote contingencies with the potential for severe impact could be problematic. Requiring disclosures of remote contingencies, especially without consideration of possible insurance or other recoveries, might place undue emphasis on such contingencies. Rarely do accounting standards require significant disclosures related to events that are deemed to be only remotely possible. I think such disclosures may unintentionally elevate the significance of remote contingencies in relation to the financial position of the entity as a whole. Additionally, determining whether a remote contingency would warrant disclosure would be quite subjective. I do agree that the preparation of financial statements should emphasize transparency of information. The proposed disclosures for remote contingencies may, however, be information overload. More is not necessarily better or clearer and I do have concerns that it will not be possible to provide users with appropriate information to form meaningful conclusions regarding the potential impact of remote claims. I also have concerns about the difficulty of placing a value on a remote contingency. Until such time when a claim becomes at least reasonably possible, it may be just as meaningful to simply require a disclosure that additional claims exist that could have a significant impact on the financial position of the entity, but that are currently considered remote.

For smaller clients especially, these proposed changes to the standard will likely require additional input from their attorneys. Smaller clients are not likely to have in-house legal counsel to assist with these disclosures. I can envision the need for attorneys to review the information being provided in the financial statements to make sure that there is nothing disclosed that would have a detrimental impact on current or future litigation. While we, as

auditors, often assist smaller clients with the preparation of certain disclosures, the disclosures contemplated by these new standards may need to be prepared by the attorneys involved, which would add an additional layer of complexity to the preparation of financial statements, especially for smaller, nonpublic entities. I would like to see the ABA weigh in on this proposed standard before it is issued. Not that a consensus should be required, but their input on these matters would be valuable since these disclosures are so heavily dependent on information from attorneys.

I do agree with exempting nonpublic entities from the tabular reconciliation required for public companies. While the information would likely be readily available if other required disclosures are being made, the users of a nonpublic entity's financial statements are fewer, more likely to have inside knowledge about the contingencies being disclosed, and are likely to have easier access to management for additional inquiry about the matters, if necessary. Adding the tabular presentation for nonpublic companies would add additional complexity and cost without adding substantial additional benefit to the users of such statements.

I definitely agree with the AICPA's comment that they "expect responses from lawyers will be incomplete with respect to these additional proposals". Because of that, I believe that the proposed effective date, which is currently only four months away for public entities, may be a little ambitious. Pushing both effective dates back one year would give everyone a more reasonable timeframe within which to address the new standard, assuming that it is finalized in the relatively near future.

Sincerely,

Barbara A. Watts, Chairman  
Society of Louisiana CPAs Accounting and Auditing Standards Committee