new york state society of
NYSSCPA
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December 1, 2005

Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

Re: Proposed SFAS: Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries, a Replacement of ARB No. 51.

To Whom It May Concern:

The New York State Society of Certified Public Accountants, the oldest state accounting association, represents approximately 30,000 CPAs that will implement the provisions proposed in the above captioned FASB exposure draft. NYSSCPA thanks FASB for the opportunity to comment on its exposure draft.

The NYSSCPA Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with the committee, please contact Margaret Wood, chair of the Financial Accounting Standards Committee, at (212) 542-9528, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

President

Attachment

NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON PROPOSED FASB STATEMENT OF FINANCIAL ACCOUNTING STANDARDS

**Consolidated Financial Statements, including Accounting and Reporting of Noncontrolling Interests in Subsidiaries,
a replacement of ARB No. 51**

December 1, 2005

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Robert Dyson
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NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL ACCOUNTING STANDARDS COMMITTEE

COMMENTS ON FASB EXPOSURE DRAFT
Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries, a replacement of ARB No. 51

General Comments

We support the Board's efforts to achieve international convergence in accounting standards and generally find the proposals in this exposure draft to be positive. Certain matters should be clarified, such as attributing consolidated net income and comprehensive income to controlling and noncontrolling interests. The following comments present our views on some of the proposed changes and additional areas that should be addressed in this proposed interpretation.

Question 1 – Do you agree that the noncontrolling interest is part of the equity of the consolidated entity? If not what alternative do you propose and why?

We agree with the proposed standard that the noncontrolling interest is part of consolidated equity.

Question 2 – Do you agree with the proposed requirement to present the noncontrolling interest in the consolidated statement of financial position within equity, separately from the parent shareholders' equity? If not, what alternative do you propose and why?

We agree with the proposed standard that the noncontrolling interest should be presented in the consolidated statement of financial position within equity, separately from the parent shareholders' equity.

Question 3 – Do you agree with the proposed requirements for attributing net income or loss and the components of other comprehensive income to the controlling and non controlling interests? If not, what alternative do you propose and why?

We agree with the proposed standards for attributing net income or loss and components of other comprehensive income to the controlling and non controlling interests.

In addition, we noted that the wording in paragraphs A3 to A9 seem to support the notion that other comprehensive income (OCI) elements in a majority owned subsidiary should be allocated between both controlling and noncontrolling interests based on the relative ownership of that subsidiary, but paragraphs 21 and 22 seem to suggest an allocation based on an aggregate level.

Question 4 - Do you agree that changes in ownership interests in a subsidiary after control is obtained that do not result in a loss of control should be accounted for as equity transactions? If not, what alternative do you propose and why?

We agree with the proposed standard that changes in ownership interest in a subsidiary after control is obtained that do not result in loss of control should be accounted for as equity transactions. We agree with FASB that transactions before control is obtained and transactions after control is obtained (including the initial obtaining of control) are very different and they should have different accounting treatment, including the recognition of gain or loss.

Question 5 – Do you agree that any gain or loss resulting from the remeasurement of a retained investment in a former subsidiary should be recognized in income of the period? If not, what alternative do you propose and why?

We agree that any gain or loss resulting from the remeasurement of a retained investment in a former subsidiary should be recognized in income of the period.

Question 6 – Do you agree with the proposed guidance for determining, whether multiple arrangements should be accounted for as a single arrangement? If not, what alternative do you propose and why?

We agree with the proposed standard that multiple arrangements should be accounted for as a single arrangement. However, we feel that paragraph 29 should be expanded to indicate that the four situations identified are not all inclusive.

Question 7 – Do you agree that earnings per share amounts should be calculated using only amounts attributable to the controlling interest? If not, what alternative do you propose and why?

We agree that earnings per share amounts should be calculated using only amounts attributable to the controlling interest.

Question 8 – Do you agree that disclosure of the total amounts of consolidated net income and consolidated comprehensive income, and the amounts of each attributable to the controlling interest and the noncontrolling interest should be required? If not, why?

We agree that the amounts of total consolidated net income and comprehensive income should be disclosed on the face of the financial statements. The amounts of income from continuing operations, discontinued operations, extraordinary items, cumulative effect of changes in accounting principles, and components of other comprehensive income for the controlling and noncontrolling interests should be disclosed (separately) and that disclosure can be in the notes to the financial statements.

The paragraph before question 8 and paragraph B37 use the word “require” which is more positive language than the use of the word “should”. The use of the word “should”, in question 8 and paragraphs A6 and B39, implies that this is the preferred accounting, but does indicate that there is a choice. There appears to be an inconsistency between these paragraphs. The language should be clarified. The word “required” is clearer and leaves no room for interpretation.

Question 9 - Do you agree that disclosure of the amounts attributable to the controlling interest should be required? If not, why?

We agree that disclosure of the amounts attributable to the controlling interest should be required.

Question 10 – Do you agree that a reconciliation of the changes in the noncontrolling interest should be required? If not, why?

We agree that a reconciliation of the changes in the noncontrolling interest should be disclosed. There seems to be a contradiction between the paragraph before the question and paragraph B40. The paragraph before the question indicates that the reconciliation should be presented in the consolidated statement of changes in equity, if presented, otherwise in the notes to the financial statements. Paragraph B40 indicates that the reconciliation should be disclosed in the notes to the financial statements. Clarification is needed.

Question 11 – Do you agree that disclosure of a separate schedule that shows the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest should be required? Please provide the basis for your position.

We agree that the disclosure of a separate schedule that shows the effects of any transactions with the noncontrolling interest on the equity attributable to the controlling interest should be required.

Question 12 – Do you agree that the disclosure of the gain or loss recognized on the loss of control of a subsidiary should be required? If not, why?

We agree with the proposed statement that the gain or loss recognized on the loss of control of a subsidiary should be disclosed along with the fair value of the retained interest, if any, in the former controlled subsidiary. FASB is correct that transactions occurring when a subsidiary is controlled are very different from those occurring when the subsidiary is not controlled and that the accounting for those transactions should be different and can result in gains or losses.

Question 13 – Do you agree with the proposed transition requirements? If not, what alternative do you propose and why?

We agree with the proposed transition requirements.

Other comments - The definition of control

Paragraph 7 defines control as ***"ownership of more than 50% of the outstanding voting shares of another company"… unless the majority owner does not control the company because the …"subsidiary is in legal reorganization, bankruptcy, or operates under foreign exchange restrictions, controls or other governmentally imposed uncertainties so severe that they cast significant doubt on the parent's ability to control the subsidiary."***

This definition does not include or refer to the criteria for control stated in EITF 04-5 or FASB Interpretation No. 46 (revised December 2003) an interpretation of ARB 51. We recommend that the above mentioned literature be incorporated into this ED either directly or by reference. Further, guidance should be provided on the procedures used to consolidate limited partnerships and variable interest entities.

The Board should provide more specific guidance (include specific examples) in interpreting and applying the following stated exception in the definition of control:

"Unless the majority owner does not control the company because the. …subsidiary

…operates under…. controls or other governmentally imposed uncertainties so severe

that they cast significant doubt on the parent's ability to control the subsidiary".

For example, EITF 04-5 requires general partners to consolidate their less than 50% owned limited partnership interests if the limited partners do not possess kick-out rights or significantly participate in operating decisions of the limited partnership. If the limited partnership is a limited distribution project subject to regulation by the U.S. Department of Housing and Urban Renewal (HUD), does this limited partnership have to be consolidated if project funds can only be used for project related costs and limited distributions to owners? Funds cannot flow from the HUD regulated limited partnership to the general partner, therefore the general partner cannot access limited partnership funds or encumber limited partnership assets.

We recommend that reference to "***ownership of more than 50% of the outstanding voting shares of another company"*** be changed to recognize that this SFAS applies to non-corporate entities as well as corporations and also include the principle that control of a company *may* be achieved with less than a 50% ownership interest.