

November 14, 2008

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

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Exposure Draft: Proposed Statement of  
Financial Accounting Standards – Amendments to FASB Interpretation No. 46(R)  
(File Reference No. 1620-100)**

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned exposure draft. The NYSSCPA thanks the FASB for the opportunity to comment.

The NYSSCPA's Financial Accounting Standards Committee deliberated the exposure draft and drafted the attached comments. If you would like additional discussion with us, please contact Edward P. Ichart, Chair of the Financial Accounting Standards Committee, at (516) 488-1200, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Sharon Sabba Fierstein  
President

Attachment

**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**EXPOSURE DRAFT: PROPOSED STATEMENT OF  
FINANCIAL ACCOUNTING STANDARDS – *AMENDMENTS TO FASB  
INTERPRETATION NO. 46(R)***

**File Reference No. 1620-100**

**November 14, 2008**

**Principal Drafters**

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Fred R. Goldstein  
Edward P. Ichart  
Roseanne T. Farley  
John J. McEnerney**

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### **NYSSCPA Staff**

Ernest J. Markezin

# New York State Society of Certified Public Accountants

## Financial Accounting Standards Committee

### Exposure Draft: Proposed Statement of Financial Accounting Standards – *Amendments to FASB Interpretation No. 46(R)*

(File Reference No. 1620-100)

We have reviewed the Exposure Draft, “Amendments to FASB Interpretation No. 46(R),” and have the following responses to the questions listed therein.

1. Will the proposed Statement meet the project’s objective to improve financial reporting by enterprises involved with variable interest entities and to provide more relevant and reliable information to users of financial statements?

**Response:** We believe that the proposed Statement will meet the project’s objective to improve financial reporting and will provide more reliable information.

2. What costs do you expect to incur if the Board were to issue this proposed Statement in the current form in a final Statement? How could the Board further reduce the costs of applying these requirements without significantly reducing the benefits to users of financial statements?

**Response:** Additional work will be required by both preparers and auditors. Companies would expend costs to monitor additional assets and liabilities. Ongoing evaluations would be required on a formal basis annually, and often enough on an interim basis to assess changes in facts and circumstances by reporting entities to assess the accounting and disclosures. In addition, a reporting entity auditor likely would incur additional time to evaluate client conclusions related to accounting and disclosures. Consequently, higher audit and accounting fees would likely be incurred by the reporting entity.

3. The Board decided to adopt a more principles-based approach to determine the primary beneficiary of a variable interest entity. Do you believe the principles in paragraphs 14-14B of Interpretation 46(R), as amended by this proposed Statement, are sufficiently clear and operational?

**Response:** We believe that the principles-based approach which proposes the use of qualitative standards in paragraphs 14-14B of Interpretation 46(R) is clear and operational.

4. The Board concluded that it would be helpful to provide examples of the application of the principles in this proposed Statement. Do you believe that the examples in Appendix A clearly indicate how the principles in paragraphs 14–14 B of Interpretation 46(R), as

amended by the proposed Statement, would be applied? If not, please articulate what additional information or guidance is necessary, considering the basis for the Board's conclusions.

**Response:** The examples provided in Appendix A are clear and provide a basis for determining the primary beneficiary and consolidation implications. Example 8 is critical because it illustrates that there are cases in which no one is the primary beneficiary. However, cases in which a single transferor and/or lessor in a real property transaction is not the primary beneficiary, if any, should be included in the Appendix. Otherwise, the assumption can be made that the transferor is always the primary beneficiary, and must consolidate the assets and liabilities of a variable interest entity.

5. This proposed Statement retains the quantitative analysis for situations in which an enterprise cannot determine whether it is the primary beneficiary through the qualitative analysis in paragraph 14A of Interpretation 46(R), as amended by this proposed Statement. In Appendix A, each example either identifies a primary beneficiary or concludes that no primary beneficiary exists through a qualitative analysis. The Board may consider removing the quantitative analysis for determining whether an enterprise is the primary beneficiary of a variable interest entity. Do you believe that the quantitative analysis is necessary based on the proposed amended guidance for determining the primary beneficiary? Do you believe that the quantitative analysis would be performed in many situations? Why or why not?

**Response:** An entity should have the ability to use the quantitative analysis because the Exposure Draft does not include examples of all types of transactions that can occur. However, we do not believe that it will be widely used because, in most cases, there is a single transferor involved in a transaction. It is conceivable that new structures may develop in which the quantitative method might be required.

6. For the reasons stated in paragraphs B6–B15 of this proposed Statement, the Board decided to require ongoing assessments to determine whether an entity is a variable interest entity and whether an enterprise is the primary beneficiary of a variable interest entity. Do you agree with the Board's decision to require ongoing assessments? If not, please provide reasons (conceptual or otherwise) as to why you disagree with these requirements considering all of the proposed amendments in this proposed Statement.

**Response:** We agree that there should be ongoing assessments in this area. However, the description in the amended guidance is insufficient, and more details should be included.

7. Do you believe that any exceptions to this proposed Statement should be made for private or non-profit entities? If so, please articulate the conceptual basis and reasons for the exceptions.

**Response:** We do not believe exceptions should be made for private or non-profit entities.

8. Financial statement users indicated that the information disclosed in accordance with Interpretation 46(R) about an enterprise's involvement or involvements with variable interest entities and the associated risks are often insufficient and untimely. Do you believe the disclosure requirements in this proposed Statement address those concerns?

**Response:** We believe that the disclosure requirements are comprehensive, but some of them might be time-consuming initially for a preparer.

9. Should the elements of a consolidated variable interest entity be required or permitted to be classified separately from other elements in an enterprise's financial statements?

**Response:** Disclosures should provide all relevant aspects of an entity's variable interest entities. Entities should be permitted the option of classifying elements of a consolidated variable interest entity separately. They also should be permitted to include them on their balance sheet in other categories provided that disclosures are clear and describe the aggregate amounts included within each asset or liability category on the balance sheet.