new york state society of
NYSSCPA
certified public accountants

Home of the Trusted Professional
3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nysscpa.org

August 20, 2010

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

By e-mail: director@fasb.org

Re: Exposure Draft, *Proposed Accounting Standards Update*, Contingencies (Topic 450), Disclosure of Certain Loss Contingencies (File Reference No. 1840-100)

Dear Mr. Golden:

The New York State Society of Certified Public Accountants, representing 28,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Mark Mycio, Chair of the Financial Accounting Standards Committee at (212) 838-5100, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Margaret Ann Wood

Margaret A. Wood
President

Attachment

new york state society of
NYSSCPA
certified public accountants

Home of the Trusted Professional
3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nysscpa.org

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

EXPOSURE DRAFT, *PROPOSED ACCOUNTING STANDARDS UPDATE*, CONTINGENCIES (TOPIC 450), DISCLOSURE OF CERTAIN LOSS CONTINGENCIES (FILE REFERENCE NO. 1840-100)

August 20, 2010

Principal Drafters

Fred R. Goldstein
Abraham E. Haspel

NYSSCPA 2010 – 2011 Board of Directors

Margaret A. Wood, *President*
Richard E. Piluso, *President-elect*
Joseph M. Falbo Jr., *Secretary/Treasurer*
Scott M. Adair, *Vice President*
David R. Herman, *Vice President*
Martha A. Jaeckle, *Vice President*
Gail M. Kinsella, *Vice President*
Joanne S. Barry, *ex officio*
John Barone
Cynthia D. Barry
S. David Belsky
Ian J. Benjamin
Robert W. Berliner
Anthony Cassella
Sherry L. DelleBovi
Adrian P. Fitzsimons
Stephen E. Franciosa
Jennifer R. George
Rosemarie A. Giovinazzo-Barnickel
Mitchell L. Gusler
John B. Huttlinger Jr.
Nancy A. Kirby
J. Michael Kirkland
Mark G. Leeds
Pei-Cen Lin
Heather Losi
Anthony J. Maltese
Barbara A. Marino
David J. Moynihan
Avery E. Neumark
Joel C. Quall
Robert R. Ritz
Erin Scanlon
Robert E. Sohr
George I. Victor
Charles J. Weintraub
Jesse J. Wheeler
Francis M. Zovistoski

NYSSCPA 2010 – 2011 Accounting & Auditing Oversight Committee

Rita M. Piazza**,** *Chair*
Anthony S. Chan
Sharon S. Fierstein
Jay H. Goldberg
Jan C. Herringer
Edward P. Ichart
Elliot A. Lesser
Mark Mycio
Michael A. Pinna
William M. Stocker III

NYSSCPA 2010 – 2011 Financial Accounting Standards Committee

Mark Mycio, *Chair*
Kristen Clark
J. Roger Donohue
Deepak Doshi
Robert A. Dyson
Roseanne T. Farley
Sharon Sabba Fierstein
Vincent Gaudiuso
John F. Georger Jr.
Manish Gera
Hashim Ghadiali
Jo Ann Golden
Fred R. Goldstein
Craig T. Goodman
Kenneth Gralak
Abraham E. Haspel
Edward P. Ichart
Tamar Kadosh
Craig L. Kanzel
Anil Kumar
Ari Lasker
Joseph Maffia
Sean Martell
John J. McEnerney
Stephan R. Mueller
Lingyun Ou
Kyle D. Pennacchia
Paul M. Ribaudo
Robert M. Rollmann
Joseph Serra
Elvira Tsvetanov
Cyril Uy

NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Financial Accounting Standards Committee

Comments on

Exposure Draft, *Proposed Accounting Standards Update,* Contingencies (Topic 450), Disclosure of Certain Loss Contingencies (File Reference No. 1840-100)

We commend the Board on its decision to reflect on comments it received to the original Exposure Draft, and we are in general agreement with the amendments now proposed. Presented below are our responses to the specific questions in this recent Exposure Draft.

Responses to Specific Questions

Question 1 –

Are the proposed disclosures operational?

Response:

Yes, except for the following:

a. **Disclosure of remote contingencies with severe impact 450-20-50-1D (page 10)**
Disclosing the amount of a claim for a contingency the chance of the success of which is determined to be remote does not add useful information to the financial statements, and, in fact, might be misleading. A plaintiff's claim, the success of which is judged to be remote, will oftentimes be frivolous and include an unrealistically inflated amount. The very act of disclosing such amounts in audited financial statements provides them with an aura of credibility that is unwarranted.

Further, determining the likely amount of a claim with a remote possibility of success would be extremely difficult if not impossible to verify. In subsequent periods, should the claim be deemed to have greater merit and judged to be reasonably possible, then it would cross the disclosure threshold and would be disclosed.

b. **450-20-50-1F (d) (page 11) with respect to aggregation of claims**
Additional clarity would be achieved if the following language used in paragraph BC21 in the Basis for Conclusions were incorporated into the standard:

> "Consistent with the aggregation principle, an entity can aggregate disclosures by classes of similar contingencies that may not be material individually but may be material in the aggregate."

This way the reader is aware that the aggregation of contingencies applies to immaterial contingencies that are in the aggregate material and not to individually material contingencies that have to be stated separately.

Question 2 -
Are the proposed disclosures auditable?

Response:

Yes, except for verification of the amount of a remote contingency with a possible severe impact. See comment made in response to Question 1.

Question 3 -

The June 2008 FASB Exposure Draft, Disclosure of Certain Loss Contingencies, had proposed certain disclosures based on management's predictions about a contingency's resolution. The amendments in this proposed Update would eliminate those disclosure requirements such as estimating when a loss contingency would be resolved and the entity's maximum exposure to loss. Do you agree that an explicit exemption from disclosing information that is "prejudicial" to the reporting entity is not necessary because amendments in the proposed Update would:

a. Not require any new disclosures based on management's predictions about a contingency's resolution.

b. Generally focus on information that is publicly available.

c. Relate to amounts already accrued in the financial statements

d. Permit information to be presented on an aggregated basis with other similar loss contingencies?

If not please explain why

Response:

Yes, we agree that an explicit exemption from disclosing information that is "prejudicial" to the reporting entity is not necessary.

Question 4 -

Is the proposed effective date operational?

Response:

Yes, the proposed effective date is operational. The proposed guidance in the updated Exposure Draft has been under discussion for quite some time, and the required elements in the disclosures are not likely to present impediments concerning information gathering when necessary to comply with this guidance.

Question 5 -

Do you believe that the proposed disclosures will enhance and improve information provided to financial statement users about the nature, potential magnitude, and potential timing (if known) of loss contingencies?

Response:

Yes, we agree.

Question 6 -

Do you agree that nonpublic companies should be exempt from tabular reconciliation of disclosures required in the amendments in this proposed Update? If not please explain why. Are there any other aspects of the amendments that should be applied differently to nonpublic entities? If so please explain why.

Response:

We do not agree that nonpublic companies should be exempt from tabular reconciliation of disclosures required in the amendments in this updated Exposure Draft. While a number of respondents to the original Exposure Draft may have expressed concerns about requiring nonpublic companies to provide tabular reconciliations, by class, of recognized (accrued) loss contingencies that present the activity in the account during the reporting period, the information that would be provided may be just as useful to financial statement users of nonpublic companies in assessing quality of profit and loss results as it is for publicly traded entities.

In addition, the information necessary to make these disclosures is usually readily obtainable and the time and effort involved in assembling it is not likely to be that significant. For some smaller entities, it may simply represent providing a single clarifying sentence disclosure similar to that made for changes in the valuation allowance related to the accounting for deferred income taxes.

Question 7 -

The amendments in this proposed Update would defer the effective date for nonpublic entities for one year. Do you agree with the proposed deferral? If not please explain why.

Response:

Yes, we agree.

Question 8 -

Do you believe that the proposed and existing XBRL elements are sufficient to meet the Securities and Exchange Commission's requirements to provide financial statement information in the XBRL interactive data format? If not, please explain why.

We believe that the proposed and existing XBRL elements are sufficient to meet the Securities and Exchange Commission's requirements.