

January 23, 2009

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

File Reference: Proposed FSP FAS 144-d

Dear Mr. Golden:

The Financial Reporting Committee ("FRC") of the Institute of Management Accountants is writing to provide its views on the Proposed FSP FAS 144-d, *Amending the Criteria for Reporting a Discontinued Operation* (the "Proposed FSP"). The FRC is the financial reporting technical committee of the Institute of Management Accountant. The FRC is comprised of representatives from preparers of financial statements of the largest companies in the world, the largest accounting firms in the world, valuation experts, accounting consultants as well as academics. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals, and other documents issued by domestic and international agencies and organizations.

In summary, we support the Proposed FSP because it moves US GAAP closer to IFRS 5 and believe it will improve financial reporting for discontinued operations. We have provided below our comments below on the questions raised in the Proposed FSP.

1. The Proposed FSP would amend the definition of a discontinued operation so that a discontinued operation is a component of an entity that is (a) an operating segment (as that term is defined in FASB Statement No. 131, *Disclosures about Segments of an Enterprise and Related Information*) and either has been disposed of or is classified as held for sale or (b) a business (as that term is defined in FASB Statement No. 141 [revised 2007], *Business Combinations*) or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition. Do you agree with the new definition of a discontinued operation? Why or Why not? If not, what definition would you propose and why?

We agree with the Board that discontinued operations should be limited to disposals that result in a strategic shift in an enterprise's operations and with limiting discontinued operations treatment to operations meeting the definition of an operating segment in SFAS 131 *Disclosures about Segments of an Enterprise and Related Information* ("Statement 131") or a business that meets the criteria for held for sale classification upon acquisition.

However, we believe the Board should retain the current requirement that an enterprise eliminate significant continuing involvement with, and the cash flows of, the discontinued operations in order for the disposal to qualify as a discontinued operation. We believe there have not been significant implementation issues in applying Statement 144 and EITF 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations*, relating to elimination of continuing involvement and cash flows. We believe it is inconsistent to report an operating segment as "discontinued" while the enterprise continues to include the operation's direct cash flows in its consolidated financial statements or to report an operating segment as "discontinued" while management is still involved in its day-to-day operations. Otherwise the Proposed FSP will provide for a retrospective deconsolidation of an operating segment when control is lost instead of when the entity's involvement is discontinued and the operating segment no longer impacts the consolidated financial statements.

If the Board concludes to move forward with the proposed definition, we nevertheless believe it should address or provide guidance on the following matters:

- Changes in operating segments. As the Board is aware, management defines an enterprise's operating segments based upon the information provided to and used by the chief operating decision maker and can change that definition at any time. We believe it will not be unusual for an entity to change its operating segments in contemplation of a disposal, for a number of reasons. The Board should consider providing guidance on whether the newly defined operating segment should qualify as a discontinued operation.
- Comparability. We believe it is possible that two companies in the same line of business could define their operating segments differently and therefore may obtain different financial reporting results in disposing of essentially similar operations, which would impair comparability between companies and could be confusing to the users of the financial statements. The Board may wish to address the potential inconsistency by providing entities whose disposal did not qualify as a discontinued operation the option of providing pro forma financial statements.

2. Based on the proposed definition of a discontinued operation, an operating segment is the general level of aggregation for determining whether a component of an entity would be reported in the discontinued operation section of the income statement (or statement of activities for not-for-profit entities). The definition would no longer include certain subsidiaries and asset groups that do not meet the definition of an operating segment. Is it feasible for an entity that is not required to apply Statement 131 (that is, a nonpublic business entity and a not-for-profit entity) to determine whether the component of an entity meets the definition of an

operating segment? Why or why not? If not, what definition would you propose for an entity that is not required to apply Statement 131 and why?

An operating segment is defined by the information reported to an entity's chief operating decision maker and how he or she manages the entity. We believe it would be unusual for an entity not subject to Statement 131 to be unable to identify its operating segments from information provided to, or obtainable by, its chief operating decision maker. However, in smaller companies, this may be an informal process. Identifying an entity's operating segments after or concurrent with a decision to discontinue an operation may be difficult when the entity did not present formal reports to the chief operating decision maker and therefore may result in more discontinued operations for smaller companies not subject to the requirements of Statement 131. However, this would appear to be the primary issue. We believe the Board should make it clear that there is no need for an entity to compile any new information prior to a disposal to determine whether a component is an operating segment. Otherwise, an entity may feel compelled to adopt Statement 131 (at least on a pro forma basis) so it can identify its operating segments in case of a disposal. We believe that would be an undue burden.

3. Do you agree with the proposed disclosure requirements? Why or why not? If not, what changes would you propose and why?

We believe the disclosure requirements for components that do not qualify as operating segments are excessive and are concerned the usefulness of this information to users of the financial statements outweighs the cost of presenting it. The Board should consider limiting this information to significant disposals using similar measures of significance as contained in Statement 131.

We believe the proposed reconciliation of after-tax profit and loss on discontinued operations between amounts presented in the footnotes and on the face of the financial statements will be useful to users of the financial statements.

4. Under the disclosure requirements, income tax expense or benefit does not have to be calculated and disclosed for components of an entity that are reported within continuing operations and that have been disposed of or are classified as held for sale. Do you agree or do you believe it would be beneficial to require income tax expense or benefit to be calculated and disclosed for discontinued components of an entity within continuing operations? If so, how would you calculate and disclose the income tax expense or benefit?

Similar to the Board, we do not believe calculating and disclosing income tax expense for items that do not qualify as discontinued operation would be useful or beneficial to users of the financial statements. Mandating such disclosure would only increase the operational burden on a company's accounting function.

5. Do you agree with the disclosure exemptions for a business or a nonprofit activity that meets the criteria to be classified as held for sale on acquisition? Why or why not? If not what changes would you propose and why?

We support the Board's proposed exemption of a business or a nonprofit activity classified as held for sale upon acquisition from the disclosure requirements.

6. Are the effective date and transition provisions sufficient for compiling the information needed? Why or why not? If not, what would you propose and why?

We believe the proposed effective date for financial statements issued for fiscal years beginning after December 15, 2009 and interim periods within those fiscal years is reasonable time for companies to adopt the Proposed FSP.

We appreciate the Board's consideration of these matters and welcome the opportunity to discuss any and all related matters.

Sincerely,



Mick Homan
Chair, Financial Reporting Committee
Institute of Management Accountants