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November 13, 2006

Technical Director
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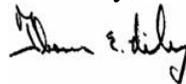
Re: Preliminary Views - Conceptual Framework for Financial Reporting: Objectives of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information (File Ref. 1260-001)

To Whom It May Concern:

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 Preliminary Views document. NYSSCPA thanks the FASB for the opportunity to comment on this release.

The NYSSCPA Financial Accounting Standards Committee deliberated the Preliminary Views 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,



Thomas E. Riley
President

Attachment

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

COMMENTS ON FASB PRELIMINARY VIEWS

*Conceptual Framework for Financial Reporting: Objectives of Financial Reporting and
Qualitative Characteristics of Decision-Useful Financial Reporting Information*

November 13, 2006

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

FINANCIAL ACCOUNTING STANDARDS COMMITTEE

COMMENTS ON FASB PRELIMINARY VIEWS

***Conceptual Framework for Financial Reporting: Objectives of Financial Reporting
and Qualitative Characteristics of Decision-Useful Financial Reporting Information***

File Reference No. 1260-001

General Comments

The Financial Accounting Standards Committee of the New York State Society of Certified Public Accountants has reviewed the “*Conceptual Framework for Financial Reporting: Objectives of Financial Reporting and Qualitative Characteristics of Decision-Useful Financial Reporting Information*”. We agree with most of the Board’s decisions and believe that the FASB has provided insight on the objective of and on the qualitative characteristics of financial reporting. We have identified some areas where information should be enhanced. We have also identified some questions. In addition, our comments below will also highlight areas where the information provided is clear and concise.

We are concerned the new framework will resemble current concept statements that are so broad that they can be used by both sides of accounting disputes to argue their point of view. We suggest the Board include the information in Appendix A, Basis for Conclusions to both Chapters 1 and 2, in the final concept statement since the Appendix explains why and how various aspects of US GAAP versus IFRS was selected.

Specific Comments

Chapter 1 – The Objective of Financial Reporting

**Information Useful in Assessing Cash Flow Prospects (paragraphs OB3 - OB5)
Is the Purpose of the Statement of Financial Position to Help Particular Users to
Assess Solvency (paragraph BC 1.27)**

The Preliminary Views do not adequately address the need to consider the reporting entity’s ability to continue as a going concern. It would appear that users would be interested in this matter, particularly when the financial statements suggest the reporting entity is in poor financial condition. (See paragraphs OB3 and OB6). The Preliminary Views downplay the importance of assessing solvency by suggesting solvency is important only to creditors and regulators and would exclude the interests of other users

(paragraph BC1.27). We are not aware of any users who would not be interested in the solvency of the reporting entity. We recommend that if the Board does not address the solvency issue (or alternatively the going concern issue) in this phase of the project that they take it up when addressing future phases such as including initial and subsequent measurement of items in financial statements which will include the basis for reporting, and in the phase that addresses financial presentation and disclosures.

General Purpose External Reporting (paragraphs OB10 - OB13)

The first time investors, creditors and their advisors are mentioned (paragraph OB 12), they should be defined as including both present and potential investors, creditors and their advisors rather than waiting until paragraph OB 13 to make such mention.

Information About An Entity's Resources, Claims To Those Resources, and Changes in Resources and Claims (paragraphs OB 18 - OB 19)

Changes in Resources and Claims That Do Not Affect Cash (paragraph OB 25)

The term "economic resources" and "resources" are used throughout the framework interchangeably. The term "resources" should be replaced with "economic resources". "Economic resources" is a more precise term compared to resources, which includes many other non-financial aspects (management expertise, workforce in place, brand recognition, etc).

Financial Performance Measured by Cash Flow during a Period (paragraph OB 24)

We disagree with the comment in the last sentence of paragraph OB 24, which notes that the perspective of cash flow information "is largely free from the measurement and related issues inherent in accrual accounting."

Management's Explanations (paragraph OB 26)

The inclusion of information in the financial statements and related footnotes that might be marketing oriented or self-serving statements by management concerns us. Such information might be better placed in external or internal documents outside the financial statements and footnotes, with appropriate caveats.

Should the Objective Focus on General Purpose Financial Reports or on Different Reports of Different Users (paragraph BC1.22)

We strongly agree with both paragraphs BC1.22 (on general purpose financial statements) and BC1.24 (on different reporting for different types of entities).

Does the Objective of General Purpose External Financial Reports Differ for Different Types of Entities? (paragraphs BC1.23 - BC1.25)

We continue to prefer a uniform standard of accounting and reporting.

Chapter 2 – Qualitative Characteristics of Decision-Useful Financial Reporting Information

Predictive Value and Confirmatory Value (paragraphs QC10 - QC14)

This section is straight-forward and proves to be a clear, concise description of what constitutes predictive value and confirmatory value.

Faithful Representation (paragraphs QC16 - QC19)

The concept of faithful representation should be further clarified. The illustrations given do not provide sufficient analysis to understand how the concept should be used. In particular, the concept of “real-world economic phenomena” is unclear and appears to introduce a new GAAP standard. Paragraph QC18 defines the term “real-world economic phenomena” as a component of faithful representation. The paragraph indicates that deferred debits and credits are not “real-world economic phenomena.” However, this thought is not appropriately finished. The implication is that deferred debits and credits should not be used when recording transactions. Based on existing GAAP, this would have a significant impact on the recording of taxes. If this is not the case and deferred debits and credits will still be used in financial reporting, that important concept should be clarified. We believe there is a place in financial reporting for deferred debits and credits, for example, given the large number of differences between financial and tax reporting.

In addition, the paragraph uses the value of a machine as an example of measuring assets and liabilities using real-world economic phenomena. Different measurement methods include cost, replacement cost, and fair value. The paragraph does not explain how fair value, as defined as the amount that would be received in a current exchange between a willing buyer and seller in real world if no active market for the assets or liabilities exists or if the company is not willing to sell. This concept is only valid when you decide to liquidate.

QC17 discusses the idea of “substance over form” as a separate qualitative characteristic. While we agree that faithful representation is incompatible with information that subordinates substance to form, the paragraph diminishes the concept of “substance over form” as redundant. This concept has become more important in the current accounting environment and to dismiss it so cavalierly is dangerous. While “substance over form” may not need to be recognized as a separate characteristic, the concept is vital to the underpinnings of an accounting framework.

Certainty, Precision, and Faithful Representation (paragraphs QC20 - QC22)

Paragraph QC21 discusses the relationship of uncertainty with representational faithfulness. The paragraph asserts that uncertainty is always present and some minimum level of accuracy (precision) is necessary. However, there is no explanation as to what constitutes minimum, opening the door to a variety of interpretations and misuse. There should be a more detailed explanation as to how much uncertainty is acceptable in order to achieve representational faithfulness.

Verifiability (paragraphs QC23 – QC26)

Paragraphs QC 23 and 24 are good explanations as to what constitutes verifiability. The discussion of direct and indirect verification is clear and concise.

Neutrality (paragraphs QC27 – QC31)

Paragraph QC 28 states that neutrality is incompatible with conservatism. While neutrality is an appropriate goal for financial reporting, it is difficult to achieve pure neutrality due to inherent biases that individual preparers bring to the financial statement preparation process. We suggest that this statement be eliminated or modified. If neutrality cannot be achieved, we believe that preparers should be guided to err on the side of conservatism despite its inherent bias.

Comparability (including Consistency) (paragraphs QC35 - QC38)

The discussion in QC37 of comparability is clear and written in plain English.

How the Qualitative Characteristics Relate to the Objective of Financial Reporting and to Each Other (paragraphs QC42 – QC47)

This section describes a logical order of qualitative characteristics without defining a specific hierarchy. However, we believe that there should be a defined hierarchy for qualitative characteristics. The FASB declined to carry forward the existing chart that provides preparers with guidance on what characteristics are most important and instead indicated the order in which characteristics might be reviewed. While we agree that a chart is not required, we suggest that there should be a defined hierarchy of qualitative comments to promote uniformity and consistency in practice. We believe that a pictorial representation of the concepts described will provide clarity without encouraging prescriptive use of a chart.

Materiality (paragraphs QC49 – QC52)

The definition of materiality in QC 49 is too broad; almost anything “could influence” a reader. The concept should be clarified and additional information provided. The discussion does not clearly describe how the concept of materiality should be applied and the example in paragraph QC51 complicates the issue. Based on the example in paragraph c., a practitioner could conclude that 10% as a bright line measure of materiality is appropriate even in situations where this is not true. Further, while the Board suggests that companies should enhance disclosures regarding materiality, there is a contradictory discussion on eliminating financial reporting “clutter.”

Benefits and Costs

We appreciate that the Board is cognizant of preparer issues and applaud the discussion in paragraph QC59 that highlights this recognition.

Appendix A: Basis for Conclusions - Chapters 1 and 2

We suggest that Appendix A be entitled Background instead of Basis for Conclusions. We realize that the Board used the terminology Basis for Conclusions since the document

explains why and how various aspects of US GAAP versus IFRS was selected but we think it would be a more accurate to use the word Background since it is a Concept Statement and not the promulgation of new GAAP.