

September 27, 2011

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


By e-mail: director@fasb.org

**Re: Proposed Accounting Standards Update –
Property, Plant, and Equipment (Topic 360)
Derecognition of in Substance Real Estate—a Scope Clarification
(File Reference No. EITF-100E)**

The New York State Society of Certified Public Accountants, representing more than 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 J. Roger Donohue, Chair of the Financial Accounting Standards Committee at (516) 887-7573 or Ernest J. Markezin, NYSSCPA staff at (212) 719-8303.

Sincerely,


NYSSCPA
Richard E. Piluso
President

Attachment

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

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS UPDATE –
PROPERTY, PLANT, AND EQUIPMENT (TOPIC 360)
DERECOGNITION OF IN SUBSTANCE REAL ESTATE—A SCOPE
CLARIFICATION**

(FILE REFERENCE NO. EITF-100E)

September 27, 2011

Principal Drafters

**J. Roger Donohue
Abraham Haspel
Edward Ichart**

NYSSCPA 2011 – 2012 Board of Directors

Richard E. Piluso, <i>President</i>	Ian J. Benjamin	Michele M. Levine
Gail M. Kinsella, <i>President-elect</i>	Shari E. Berk	Pei-Cen Lin
Scott M. Adair, <i>Secretary/Treasurer</i>	Robert W. Berliner	Heather Losi
Anthony Cassella <i>Vice President</i>	Sherry L. DelleBovi	Anthony J. Maltese
Neville Grusd, <i>Vice President</i>	Domenick J. Esposito	Barbara A. Marino
J. Michael Kirkland, <i>Vice President</i>	Adrian P. Fitzsimons	Steven M. Morse
Ita M. Rahilly, <i>Vice President</i>	Stephen E. Franciosa	Robert R. Ritz
Joanne S. Barry, <i>ex officio</i>	Jennifer R. George	Michael F. Rosenblatt
	Rosemarie A. Giovinazzo- Barnickel	Erin Scanlon
	Mitchell L. Gusler	Cynthia Scarinci
	Timothy Hedley	John S. Shillingsford
	Douglas L. Hoffman	Robert E. Sohr
	Eric M. Kramer	George I. Victor
	Mark G. Leeds	Jesse J. Wheeler
	Elliot A. Lesser	Margaret A. Wood
		F. Michael Zovistoski

NYSSCPA 2011 – 2012 Accounting & Auditing Oversight Committee

Rita M. Piazza, <i>Chair</i>	Michele Amato	Sharon S. Fierstein
William M. Stocker III, <i>Vice Chair</i>	Kenneth Chan	Jan C. Herring
	J. Roger Donohue	Michael A. Pinna

NYSSCPA 2011 – 2012 Financial Accounting Standards Committee

J. Roger Donohue, <i>Chair</i>	Craig T. Goodman	Stephan R. Mueller
Ryan Crowe	Kenneth Gralak	Mark Mycio
Deepak Doshi	Abraham E. Haspel	Lingyun Ou
Robert A. Dyson	Edward P. Ichart	Kyle D. Pennacchia
Roseanne T. Farley	Tamar Kadosh	Paul M. Ribaud
Sharon S. Fierstein	Craig L. Kanzel	Robert M. Rollmann
Vincent Gaudio	Michael D. Kasperski	Joseph Serra
John F. Georger Jr.	Anil Kumar	Elvira Tsvetanov
Manish Gera	Ari Lasker	Matthew Uryniak
Hashim Ghadiali	Joseph Maffia	Cyril Uy
Jo Ann Golden	Sean Martell	Margaret Wood
Fred R. Goldstein	John J. McEnerney	Silvia S. Yehezkel
	Joseph Montero	

NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update – Property, Plant, and Equipment (Topic 360) Derecognition of in Substance Real Estate—a Scope Clarification

(File Reference No. EITF-100E)

We have reviewed the proposed Accounting Standards Update, *Property, Plant, and Equipment (Topic 360), Derecognition of in Substance Real Estate—a Scope Clarification*, and we appreciate the opportunity to provide our responses to the questions for respondents.

Responses to Specific Questions

Question 1: Do you agree that the scope of this proposed Update should be limited to a reporting entity’s loss of control (as described in Subtopic 810-10) of a subsidiary that is in substance real estate when that loss of control is a result of the subsidiary defaulting on its nonrecourse debt? If not, what other situations have arisen in practice that the Task Force should consider?

Response: We agree that the scope of the proposed Update should be limited to a reporting entity’s loss of control of a subsidiary that is in substance real estate when that loss of control is a result of the subsidiary defaulting on its nonrecourse debt. The objective of this Update, as indicated in the Summary, is clearly to resolve the diversity in practice about whether the guidance in Subtopic 320-20 applies to a parent losing control which results from the subsidiary’s default of nonrecourse debt.

That is a narrow objective, and the direction of the guidance is best served by specifically dealing with the limited conditions. We agree with the Board that clarifying the guidance improves current U.S. GAAP by eliminating diversity in practice and emphasizes that the accounting for such transactions is on a principles based framework.

Question 2: Do you agree that a reporting entity that ceases to have a controlling financial interest (as described in Subtopic 810-10) in a subsidiary that is in substance real estate because of a default by the subsidiary on its nonrecourse debt should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the assets (including real estate) and liabilities (including the related nonrecourse debt) of the subsidiary?

Response: We agree that the guidance in Subtopic 360-20, as amended by this Update, is appropriate for this transaction. The guidance is clear on a principles based framework

with respect to the circumstances that determine when the assets and liabilities are derecognized and when they are not. In addition to the narrative description, examples are provided that clarify the required accounting.

Question 3: Should additional guidance on applying the guidance in Subtopic 360-20 to transactions within the scope of this proposed Update be provided? If yes, under what circumstances?

Response: Additional guidance is unnecessary. The requirements are clear with respect to scope, objective, and accounting (including the examples). Additional guidance would seem to have the effect of modifying the Update, and could be misinterpreted.

Question 4: Do you agree that the amendments in this proposed Update should be applied prospectively? If not, why not?

Response: We agree that the amendments should be applied prospectively. Recording this transaction retrospectively could be extremely difficult and cause unanticipated complications. Prospective application achieves the objective of eliminating the diversity in practice going forward which is the Update's intent.

Question 5: Should an entity be permitted to early adopt the amendments in this proposed Update?

Response: Yes. We agree that an entity should be able to early adopt the amendments in this proposed Update.

Question 6: How much time would be necessary for you to efficiently implement the provisions of this proposed Update?

Response: For this type of transaction, it would seem that little time would be necessary to implement the provisions of the Update. We recommend that the effective date be no earlier than one year after the date that the proposed Update is approved for issuance and to begin at the beginning of the fiscal year of the entity and subsequent interim periods. For example, if the Update is adopted December 31, 2011, the effective date would be for fiscal years and interim periods commencing January 1, 2013, or later for entities whose fiscal year-end begins after January 1, 2013.