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certified public accountants

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December 5, 2008

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 Statement of Financial Accounting Standards –
Going Concern
(File Reference No. 1650-100)

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

Sharon Sabba Fierstein
President

Attachment

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

**EXPOSURE DRAFT: PROPOSED STATEMENT OF FINANCIAL
ACCOUNTING STANDARDS – *GOING CONCERN***

File Reference No. 1650-100

December 5, 2008

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New York State Society of Certified Public Accountants

Financial Accounting Standards Committee

Exposure Draft: Proposed Statement of Financial Accounting Standards – *Going Concern*

(File Reference No. 1650-100)

We agree with the Financial Accounting Standards Board's proposal to include going concern guidance in the accounting literature. The continued existence of a reporting entity is clearly a financial statement assertion to be made by management and assessed by the auditor. Adoption of this proposal is consistent with the current division of management's and the auditors' duties in financial reporting. The current guidance in AU §341, *An Entity's Ability to Continue as a Going Concern*, places the responsibility of determining an entity's ability to continue as a going concern on its auditors. With the exception noted below, we also agree that the presentation and disclosure requirements of the proposed statement are appropriate.

We question the practicality of the requirement to consider all available information about the future which is at least, but not limited to, twelve months from the end of the reporting period (paragraph 4). We believe that the Board has legitimate concerns over failures to report potential events or conditions occurring just beyond the current one year horizon. However, we believe that this would be best addressed through a requirement for expanded disclosure in the financial statements. We suggest that this could be accomplished by amending Statement of Position 94-6, *Disclosure of Risks and Uncertainties*, rather than affecting consideration of continued existence as a going concern.

We believe that the expansion of the going concern time period as outlined in the proposal is a requirement that could be incorrectly interpreted. It should be cautioned that the lack of a going concern disclosure in the financial statements could be interpreted that management and the auditors are attesting to the reporting entity's continued existence indefinitely. The current assertion merely addresses continued existence for the next year, which is clearly understood by all.

Identifying conditions and events beyond the next year is very difficult. Trends reflecting the conditions and events indicative of substantial doubt about a reporting entity's continued existence, as listed in paragraph 5, are not necessarily obvious in the early stages. The requirement to consider beyond a year could be the source of considerable litigation as plaintiffs, with the benefit of hindsight, allege that management and its auditors were aware of certain conditions or events and did not properly report on the implications. For example, at a specific point in time, it is hard to distinguish a temporary decline in financial position from an ongoing negative trend that is expected to extend beyond one year from the balance sheet date. In addition, a reporting entity's prospects in legal proceedings or the impacts of legislation frequently change and are almost impossible to predict.

We also believe that the proposal is not consistent with other literature that applies a one year timeline to certain events that typically affect a going concern decision. For example, SOP 94-6, paragraph 21, requires disclosure of concentrations when it is reasonably possible that such concentration could cause a severe impact in the near term, which is defined in paragraph 7 as one year or less. Paragraph 13 of the same guidance requires a similar disclosure in changes in estimates. In addition, Statement 6, *Classification of Short-Term Obligations Expected to be Refinanced*, paragraph 11, classifies a short term obligation as non-current if, among other criteria, the maturity is extended beyond one year after the balance sheet date. The revision of an obligation to being due on demand or within the next year could have an adverse effect on an entity's ability to continue as a going concern.