December 7, 2011

Director of Research and Technical Activities
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Project No. 25-19


Comments submitted by: Accounting and Auditing Standards Committee—Society of Louisiana Certified Public Accountants

We would like to offer some specific comments on the proposed standard which is listed in the following section.

**Specific Comments**

1. I agree with the proposed revision in Para. 3 that deletes Para. 63 of GASB Statement No.10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*. This paragraph limits fund based reporting of risk financing activities to the general fund and internal service fund type. This amendment will allow governments to account for risk financing activities either in the general fund, internal service fund or a special revenue fund which meets the GASB No. 54 criteria. This will allow reporting of risk financing activities in the fund type that most accurately reflects the nature of the activity.

2. I agree with the proposed amendments in Para.4 that deletes the specific guidance in GASB No. 62, Para's. 222 and 227(b) that does not allow the use of the fair value method to determine the amount of an operating lease's payments. The fair value method may be appropriate in cases where the value of services provided by a leased asset varies over the lease term. Under the fair value method, the periodic lease payment is based on the estimated fair value of the services provided. This approach is consistent with the concept of inter-period equity since it attempts to match the cost of services to the value of the services provided.

3. I agree with the proposed amendments to GASB Statement No. 62, Para. 442 in Para. 5, that removes the guidance on accounting for differences between the loan(s) acquisition cost and principle amount of the loan acquired. It is appropriate to record a purchase of a loan at its acquisition price since that amount is a more accurate measure of the asset's (the loan's) fair value on the purchase date. This approach is preferable to the guidance in the extant Para. 442 that requires, 1) purchased loans be recorded at their principal balance amount, and 2) that the difference between the loan principal amount and the acquisition cost be recorded as an adjustment of the loan's yield. This revision is consistent with GASB No. 48, Para. 13, which requires purchased receivables to be recorded at their purchase price.

Sincerely,

Barbara A. Watts, Chairman

Society of Louisiana CPAs Accounting and Auditing Standards Committee