January 5, 2018

David Bean
Director of Research
Project No. 3-30
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the Tennessee Department of Audit, we thank the GASB for the opportunity to comment on its proposed Exposure Draft (ED), *Accounting and Financial Reporting for Majority Equity Interests*. We agree with the proposals in the ED and that this proposed Statement is necessary to address inconsistencies in the existing literature. We do, however, have some suggestions to improve the clarity of the standard.

For ¶B11, what was the reason for the conclusion of “only” 100% acquisition of a majority equity interest. It would help readers to understand the context of the board’s conclusion. Paragraph B12 appears to provide an additional analysis that is different from the conclusion of ¶B11. It is not clear if the paragraphs are intended to be related in providing the context we request. For ¶B14, we suggest adding to the discussion either within the cost/benefit or project background sections whether it is more common for governments to acquire 100% equity interest in separate legal entities or less than 100% (regardless of timeframe). This would provide context into how frequent these 100% acquisitions are and help identify if the standard would apply to a small or large number of transactions.

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz or me at (615) 747-5262.

Sincerely,

Deborah V. Loveless, CPA
Director, Division of State Audit