



SECURITIES INDUSTRY ASSOCIATION

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Chairman of the Board of Directors

November 14, 1973

Mr. John C. Burton  
Chief Accountant  
Securities and Exchange Commission  
500 North Capitol Street  
Washington, D.C. 20549

Re: Accounting Series Release No. 146

Dear Mr. Burton:

We appreciate the opportunity recently offered to the public to submit views and comments on Accounting Series Release No. 146.

Proposed ASR 146 would redefine and substantially alter the recognized principles established by the accounting profession with respect to the treatment of business combinations where one of the parties thereto has reacquired its own securities. The appropriateness of pooling-of-interests treatment in such circumstances has been the subject of much study and debate within the accounting profession. We believe that the principles set forth in APB Opinion No. 16, and interpreted in AICPA Accounting interpretation No. 20, should not be lightly overturned unless the Commission has concluded and is prepared to document that widespread significant abuses have occurred, causing investor confusion, uncertainty or loss. The Commission's release setting forth proposed ASR 146 does not cite any specific abuses but apparently simply substitutes its judgment for that of the authoritative literature of the accounting profession.

Moreover, the Financial Accounting Standards Board was recently organized specifically for the purpose of reviewing and issuing interpretations on the broad range accounting matters. In order to maintain the proper balance between the accounting profession and the Commission, it seems to us that the better procedure would be for the FASB to review this subject and to issue whatever interpretations or reinterpretations are called for, taking into account the evidence and views submitted by the Commission and others. The FASB has announced on November 8, 1973 its reconsideration of APB Opinion No. 16 which will further assist the Commission and other interested parties in developing new rules for merger accounting.

In any event, the retroactive effect of proposed ASR 146 is unfair and would seriously discriminate against companies which have acquired their own securities in reliance on the terms of APB Opinion No. 16, interpretation No. 20, and the advice of their professional independent public accountants. Particularly in the market conditions of the past year many companies have reacquired stock for purposes having nothing to do with business combinations. Now, however, because of the mechanical and stringent requirements proposed to be laid down by the Commission, these companies could not effect any business combination on a pooling-of-interests basis even though that might be the only practical and logical way to handle the transaction. At the very least, such a fundamental change as that proposed by the Commission should operate only prospectively and should not upset the affairs of companies acting in good faith under the then-existing authoritative set of requirements.

Sincerely,

John C. Whitehead  
Chairman of the Board

JCW/kld