

COMMITTEE ON PRIVATE COMPANY STANDARDS

September 03, 2010

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116 Sent by email to director@fasb.org

File Reference No. EITF100C

Dear Mr. Golden:

The Committee on Private Company Standards (CPC-S) of Financial Executives International (FEI) wishes to express its views on the Financial Accounting Standards Board's (FASB's) Exposure Draft (ED) of a Proposed Accounting Standards Update, *Plan Accounting — Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans.*

FEI is the leading advocate for the views of corporate financial management in the United States. It is a professional association of more than 15,000 CFOs, treasurers, controllers and other senior financial managers. CPC-S is a technical committee of FEI which formulates private company positions for FEI in line with the views of the membership. This letter represents the views of CPC-S and not necessarily the views of FEI.

CPC-S applauds the FASB for its issuance of this ED, which essentially represents a proposed change in response to the relevance of the information provided to the users of the financial statements. In particular, we note the following statements in the ED (emphasis added in each case):

- From Paragraph BC2 "Stakeholders have questioned whether reporting participant loans at fair value as determined under Topic 820 would result in information that is **decision useful**."
- From Paragraph BC3 "Furthermore, Task Force members believe that this classification [as receivables] best reflects the <u>legal nature of the asset</u>, which is a loan from the plan to the participant." (Bracketed words added)
- From Paragraph BC4 "The Task Force concluded that it would be **more meaningful** to report participant loans at their unpaid principal balance plus any accrued but unpaid interest than at fair value."

CPC-S notes that these are exactly the types of arguments it has been setting forth recently in support of the need for separate standards for private companies in many areas of accounting. We agree wholeheartedly that fair value measurement is inappropriate in the case of participant loans, because stakeholders don't find such information useful. We also submit that any group of financial statement users (e.g. users of private company financial statements) should be afforded the same consideration, when they reasonably conclude that certain accounting standards (e.g. those requiring fair value measurement) are producing information that is not relevant to their decision-making processes.

Presented below are CPC-S's responses to the specific questions asked in the ED:

Q1. Do you agree that participant loans should be classified by defined contribution pension plans as notes receivable from participants, separately from plan investments? If not, why not? What alternative classification would you prefer and why?

CPC-S agrees that participant loans should be classified by defined contribution pension plans as notes receivable from participants, separately from plan investments.

Q2. Do you agree that participant loans should be measured at their unpaid principal balance plus any accrued but unpaid interest? If not, why not? What alternative measurement would you prefer and why?

CPC-S agrees that participant loans should be measured at their unpaid principal balance plus any accrued but unpaid interest.

Q3. The Task Force concluded that no additional disclosures specific to participant loans would be required as part of the amendments in this proposed Update. Do you agree? If not, what additional disclosure do you believe would be necessary?

CPC-S agrees that no additional disclosures would be required.

Q4. Do you agree that the amendments in this proposed Update should be applied retrospectively, with early adoption allowed? If not, why not?

CPC-S agrees that the proposed amendments should be applied retrospectively, with early adoption allowed, for the reasons stated in Paragraph BC8 of the ED.

Q5. How much time do you believe would be necessary for you to efficiently implement the amendments in this proposed Update?

CPC-S does not believe implementation of the proposed amendments would take very much time for its members because, as noted in Paragraph BC8 of the ED, such implementation "would generally not result in a change to how participant loans are being measured in practice."

Thank you for considering our comments. If you have any questions or wish to discuss this letter, please feel free to contact me at (918) 456-1472 or by email at dbuck@reasors.com, or Ronald Wei at FEI (973) 765-1025 or by email at rwei@financialexecutives.org.

Sincerely,

Daryl E. Buck, Chair

Committee on Private Company Standards

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Financial Executives International