OHIO CREDIT
UNION LEAGUE

October 31, 2012

Email: Director@fasb.org

Technical Director
Financial Accounting Standard Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: OCUL comments on FASB staff paper that seeks to evaluate financial accounting and reporting guidance for private companies

Dear Sir or Madam:

The Ohio Credit Union League (OCUL) appreciates the opportunity to comment on the Financial Accounting Standard Board's (FASB) staff paper that outlining recommendations on which criteria and circumstances should be used to determine when it is appropriate to modify U.S Generally Accepted Accounting Principles (GAAP) for private companies, including credit unions.

OCUL is the trade association for credit unions in Ohio and advocates on behalf of Ohio's 374 federal- and state-chartered credit unions, serving 2.7 million members. The comments reflected in this letter represent the recommendations and suggestions that OCUL believes would be in the best interests of Ohio credit unions.

Background/Summary of Comments Requested

FASB issued a request for comments on a staff paper detailing recommendations on which criteria and circumstances should be used to determine when it is appropriate to modify GAAP reporting requirements for private companies. FASB decided not to deliberate the topics in the request for comment until stakeholders have provided input on staff's recommendations, and the members of the Private Company Council (PCC) have been appointed. At that time, FASB and the PCC will reach tentative conclusions about the criteria to be included in the framework. The criteria in the staff paper would be part of a decision-making framework to help FASB and PCC identify and meet the needs of users of private company financial statements. FASB also plans to reduce the complexity and cost of preparing private company financial statements in accordance with GAAP. The purpose of the request is to gather input from interested stakeholders about the appropriateness, completeness, and cost-effectiveness of the initial draft framework. The request seeks input on the following factors that differentiate the financial reporting considerations of private companies from public companies:

- Types and number of financial statement users,
- Access to management,
- Investment strategies,
- Ownership and capital structures,
- Accounting resources,
- Learning about new financial reporting guidance.

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10 W. Broad St., Suite 1100, Columbus, Ohio 43215
614-336-2894 ■ 800-486-2917 ■ fax 614-336-2895 ■ www.OhioCreditUnions.org

In addition, the request for comment seeks stakeholder feedback on the following areas where financial accounting and reporting guidance might differ for private and public companies:

- Recognition and measurements,
- Disclosures,
- Display (presentation),
- Effective date, and
- Transition methods.

Specifically, FASB asks the following questions:

- Has the staff identified and focused on the appropriate differential factors between private companies and public companies?
- Do the staff recommendations result in a framework that would lead to decisions that provide relevant information to users of private company financial statements in a more cost-effective manner?
- Do you agree that private companies that apply industry-specific accounting guidance generally should follow the same industry-specific guidance that public companies are required to follow because of the presumption that guidance is relevant to financial statement users of both public companies and private companies operating in those industries?
- Do the different areas of the framework appropriately describe and consider the primary information needs of users of private company financial statements and the ability of those users to access management, and does the disclosure area of the framework appropriately describe the red-flag approach often used by users when reviewing private company financial statements?
- Do you agree that, generally, private companies should apply the same display guidance as public companies?
- Do you agree that private companies should be provided a one-year deferral beyond the first annual period required for public companies to adopt new guidance?
- Do you agree with the staff recommendation that some circumstances may warrant consideration of different transition methods for private companies?
- Do you agree with the basis for FASB's tentative decisions reached to date about which types of companies should be included in the scope of the framework?
- Do you think that a private company should have the option to choose which differences it applies in all other areas of the framework (disclosure, display, effective date, and transition method)?

OCUL ANALYSIS

Differential factors between public and private companies

OCUL believes the differential factors noted appear to be related to the complexity of a company's financial statements and operations, with a goal of providing enough information for the end user to make informed decisions without over-burdening smaller, less-complex entities with expensive, complex reporting requirements. Most companies that issue periodic reports have an independent Certified Public Accountant (CPA) review the data before it becomes available to the end user. Thus, the question of accounting resources and learning about new financial reporting guidelines do not appear to rise to the level of the other factors noted (end users, access to management, investment strategies, and

ownership/capital structures). Also, it would seem that smaller, less complex organizations would issue fewer types of financial reports than more complex organizations that may issue many types of more specific financial reports. If the assumption is accurate, it would follow that the less complex organization should have the more robust set of standards and disclosures for the one report to ensure all end users' needs.

Staff recommendation

OCUL believes staff recommendations, as currently presented, will increase the cost of compliance and reporting going forward, because instead of having one accounting standard to consider the organization will need to consider, multiple reporting options (private vs. public etc.) The topics under discussion will also lessen the comparability of financial reports and may mislead end users of the reports. The recommendations are pushing complexity issues from the reporting organizations to the end users of the financial reports.

Industry specific accounting guidance

OCUL disagrees with the recommendation that industry-specific guidance should not be a split. This leads back to the original discussion of whether it is appropriate to permit less sophisticated organizations to ignore some of the more complex and costly accounting rules. If one agrees with the basic premise of the decision, then the public/private opportunities should be extended to industry-specific standards as well.

Access to management

OCUL believes that the staff's access to management assumptions seem flawed. One could reasonably assume that management probably would not go the extra steps required to document data required for public company disclosures should the disclosure not be required of them as a private company. If the comment *"Access to management should be viewed as a mitigating factor in evaluating cost-benefit considerations, including the risk that some users might find public company recognition or measurement to be more relevant"* is factual, the entity in question should be required to provide full disclosure to ensure that end users receive the same comparable relevant data. Typical data used for red-flag reviews of specific types of private companies should be retained; any changes contemplated to accounting standards affecting the red-flag triggers should be thoroughly vetted by financial statement users prior to implementation.

Display guidance

OCUL agrees that display guidance should be as similar as possible to provide ease of use and understanding for the end user.

Effective date

OCUL believes the standard adoption rules should be the same for all companies. Staging adoption decreases comparability and could mislead end users.

Transition method

OCUL disagrees with the staff recommendations and believes transition methods should be the same for all companies. Different transition methods decreases comparability and could mislead end users.

Recognition and measurement

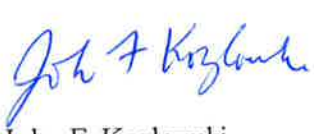
OCUL believes end user information in a consistent format should be the end goal. Allowing a piece-meal approach to adoption of private company standards will hinder a user's ability to compare financial performance among companies. Companies should be able to adopt all or drop all, with appropriate disclosures.

Conclusion

As stated above, OCUL disagrees with bifurcating standards. We strongly believe if standards are to be bifurcated, it should be an "all or nothing" adoptive method. Financial reporting standards should only be bifurcated if there is a significant cost saving and little-to-no impact to the end users. We highly recommend that there be one accounting standard for both public and private companies. Companies, users, preparers, auditors, and litigators will then know to what standard financial statements should comply.

The Ohio Credit Union League appreciates the opportunity to provide comments on the FASB's staff paper outlining recommendations on which criteria and circumstances should be used to determine when it is appropriate to modify U.S Generally Accepted Accounting Principles (GAAP) for private companies. OCUL is available to provide additional comments or information on this proposal if so requested. If you have any questions, please do not hesitate to contact me at (800) 486-2917 or jkozlowski@ohiocul.org.

Respectfully submitted,



John F. Kozlowski
General Counsel

David J. Shoup
Director, Compliance & Information

Juliana Maneno
Manager, Member Compliance Services

cc: Mary Dunn, Credit Union National Association General Counsel
Tim Boellner, OCUL Chair
Paul Mercer, OCUL President
Jennifer Ferguson, Government Affairs Committee Chair