December 4, 2012

To: Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, Connecticut 06856-5116

Via Email: director@fasb.org

From: Tim Chatting

Re: File Reference No. 2012-220

As a preparer of disclosures for a public company in the technology industry, I thank you for the opportunity to comment on the Disclosure Framework Discussion Paper. The views provided below are my own and do not necessarily represent those of my employer.

Responses to selected questions are provided below.

## Chapter 3 – Making Disclosure Requirements Flexible

**Question 6:** Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?

**Response to Question 6**: I believe that permitting or requiring more selectivity by preparers in applying disclosure requirements will improve the effectiveness of disclosures in notes to financial statements. The elimination of minimum requirements in current disclosure guidance would assist preparers in applying more selectivity. Principles-based disclosure objectives accompanied by disclosure illustrations for consideration by the preparer would give the preparer a greater opportunity to *communicate* information effectively rather than *comply* with minimum requirements.

## Chapter 4 – Reporting Entities' Decisions about Disclosure Relevance

**Question 10:** Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?

**Response to Question 10:** The approach is helpful, and certainly a fair starting point, in identifying relevant disclosures. However, it would seem that familiarity with accounting guidance, pricing models, and the industry in which the reporting entity operates would likely vary among reasonably well informed users of a reporting entity's financial statements. For this reason, preparers may remain hesitant to be more selective in applying disclosure requirements for fear of omitting information that would be used in assessing prospects for future cash flows.

## **Chapter 6 – Disclosures for Interim Financial Statements**

**Question 18:** If you think that a framework for reporting entities' use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosures for interim financial statements?

**Response to Question 18**: I believe the minimum disclosure requirements for topics listed in ASC 270 *Interim Reporting* should be considered for removal with the exception of possibly segment data disclosures. Interim period disclosures should be made to highlight material events and significant changes from the previous annual financial statements and notes similar to Rule 10-01 of Regulation S-X. Such disclosures might be focused on events affecting profitability or liquidity, large transactions (business combinations for example), and changes in risks or contingencies during the current reporting period.

## Chapter 7 – Other Matters for Discussion

**Question 22:** Are there other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

**Response to Question 22**: One possibility to reduce disclosure volume would be to permit reporting entities to weigh the importance of a topic based on its nature to the reporting entity, for example, disclosing more information on topics related to its operations than topics related to investing activities. More specifically, disclosures around fair value and financial instruments for reporting entities

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that are not financial institutions add a great deal of volume and complexity to current disclosures and may not be useful to the reader unless the reporting entity has significant liquidity risk.

Also, I think there is opportunity to reduce disclosure volume through either eliminating or clarifying the need for certain comparison period disclosures. For example, some reporting entities provide rollforward disclosures (restructuring liability, recurring level 3 fair value measurements, etc.) for both the current period as well as the prior year comparison period. Reducing some of the comparison period disclosures that are not useful to users of financial statements would likely improve the effectiveness of disclosures for the current reporting period.

In addition, this project appears to be a great opportunity for the FASB and SEC to work together to eliminate redundant disclosure requirements as well as streamline existing reporting and disclosure requirements to focus more sharply on the current quarter and current year for 10-Q and 10-K filings, respectively.

Regards,

Tim Chatting, CPA