August 23, 2013

Submitted via email: director@fasb.org

Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. PCC-13-03

Dear Technical Director:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MSCPA) appreciates the opportunity to respond to certain matters in the Proposed Accounting Standards Update, *Accounting for Certain Receive-Variable, Pay Fixed Interest Rate Swaps*. The views expressed herein are written on behalf of the TIG of the MSCPA. The TIG has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to the society's membership. The views expressed in this letter have not been approved by the MSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the MSCPA.

We generally agree with the direction taken by the Financial Accounting Standards Board (Board) and support any action by the Board that addresses the needs of preparers and users of private company financial statements. We agree with the Board's objectives of reducing the cost and complexity of accounting for these transactions and, therefore, the preparation of financial statements. However, the responses below are not intended to convey either support or opposition to the Board's establishment of the Private Company Council (PCC) or the PCC's intended authority and responsibilities. We acknowledge that certain constituencies do not believe the current plan does enough to solve the problems of private company standard setting and believe a separate standard setting body, independent of the Board, should set accounting standards for private companies.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about any of the following comments. Please direct any questions to Josh Ayers, TIG Chairman (jayers@stonecarlie.com).

Sincerely,

Robert A. Singer

Joshua A. Ayers, CPA
TIG Chairman
& Project Leader

Jeffrey P. Antrainer, CPA
Project Leader

James L. Pursley, CPA
Project Leader

Robert A. Singer, Ph.D., CPA
Project Leader

The following responses address the questions for respondents:

Question 1 Response: The Technical Issues Group (TIG) of the Missouri Society of CPAs (MSCPA) appreciates the opportunity to respond.

> The MSCPA is the largest professional association dedicated to advancing CPAs in Missouri and represents more than 8,000 members in public practice, industry, government and education. Established in 1909, the MSCPA provides members with continuing education, governmental advocacy, and networking opportunities, while working to further the future of the CPA profession through student-focused initiatives.
>
> The objective of the TIG is to selectively respond to publicly issued exposure drafts of proposed accounting and auditing standards and rules and regulations issued by select standard setting bodies that have an impact on the practice of accountancy in Missouri. Members of the TIG include financial statement preparers, users, and public accountants with both public and private company experience.

Question 2 Response: While we agree that financial institutions generally have more sophisticated derivative and investment strategies, any financial institution wishing to simply hedge interest rate risk and convert variable-interest exposure to fixed should have the option to elect the proposed treatment as long as the circumstances meet the proposed criteria.

Question 3 Response: While we agree that publicly traded companies generally have more sophisticated derivative and investment strategies, any publicly traded company wishing to simply hedge interest rate risk and convert variable-interest exposure to fixed should have the option to elect the proposed treatment as long as the circumstances meet the proposed criteria. By maintaining the entity-wide accounting policy requirement for the combined instruments approach, we believe publicly traded companies will be limited in its ability to aggressively or inappropriately utilize the approach while having the ability to elect the simplified hedge accounting approach on a swap-by-swap basis and keeping the derivative settlement value assets and liabilities on the balance sheet. Further, as discussed in paragraph BC14, we support a criterion for both the combined instruments approach and the simplified hedging approach to include management's explicit intent at swap inception to hold that swap to maturity. This would further limit the ability of any entity aggressively and inappropriately elect either of the proposed approaches.

Given that not-for-profit entities usually have the fewest accounting and financial reporting resources, the scope of the Proposed Accounting Update should be expanded to include not-for-profit entities in its entirety.

Question 4 Response: As discussed above and in paragraph BC14 of the proposed update, we support a criterion for both the combined instruments approach and the simplified hedging approach to include management's explicit intent at swap inception to hold that swap to maturity. This would further limit the ability of any entity aggressively and inappropriately elect either of the proposed approaches.

Question 5 Response: We agree with the differences in criteria for applying the combined instruments approach verses the simplified hedge accounting approach.

Question 6 Response: As discussed above and in paragraph BC14 of the proposed update, we support a criterion for the combined instruments approach to include management's explicit intent at swap inception to hold that swap to maturity. This would further limit the ability of any entity aggressively and inappropriately elect the proposed approach.

Question 7 Response: We do not believe there should be a requirement under the combined instruments approach to evaluate whether there have been adverse developments regarding the risk of counterparty default such that the swap is not expected to be effective in economically converting variable-rate borrowing to fixed-rate borrowing. This may be a consideration if the scope of the proposed update were extended to publically traded companies; however it should then only apply to publically traded companies. The private companies to which this update would most likely benefit are not likely to have the wherewithal or resources to assess the credit quality of the counterparty in an effective manner. Further, as discussed in paragraph BC7 of the proposed update, the swap counterparty is typically the same lender providing the borrowing and, if not, financial statement users will have the access to management needed to easily determine the counterparty and additional relevant information and would be more likely to have the appropriate resources to assess the risk of counterparty default.

Question 8 Response: We agree that the primary difference between settlement value and the fair value is that generally the nonperformance risk of the swap counterparties is not considered in the settlement value.

Question 9 Response: We believe the swap's settlement value adequately provides users with the current right or obligation if the swap were terminated as of the reporting date. In combination with appropriate disclosure of the valuation method and assumptions, the settlement value should provide users the necessary information to estimate future cash flows.

Question 10 Response: We believe the costs of obtaining and auditing settlement value to be significantly less than fair value. Instead of evaluating a market-based measurement, including counterparty credit risk as previously discussed, the settlement value will be limited to entity- or transaction-specific measurements (e.g. discounted estimated cash flows) and confirmation that more easily obtained and audited.

Question 11 Response: We agree with the proposed disclosures for the combined instruments approach and no additional disclosures should be required.

Question 12 Response: We agree that the current U.S. GAAP disclosures, substituting settlement value, should be applied to swaps accounted for under the simplified hedge accounting approach.

Question 13 Response: We agree with providing an entity-wide accounting policy election for applying the combined instruments approach and should be applicable for all qualifying swaps whether entered into on or after the date of adoption or existing at that date.

Question 14 Response: We agree that for entities that do not have existing eligible swaps, the accounting policy election should be made within a few weeks after the entity enters into its first transaction that is eligible. However, we believe the entity-wide accounting policy election for entities that have existing eligible swaps should be made on or before the next financial reporting date of the entity after the adoption of the amendments in the proposed Update. Since annual reporting periods are more prevalent with private companies, this would allow each company the appropriate amount of time to gain input from relevant stakeholders and evaluate the effects of the approach on their financial statements.

Question 15 Response: We agree that the simplified hedge accounting approach could be elected for any qualifying swaps, whether existing at the date of adoption or entered into on or after the adoption date.

Question 16 Response: We believe the election to apply the simplified hedge accounting approach to an existing eligible swap should be made on or before the next financial reporting date of the entity after the adoption of the amendments in the proposed Update. Since annual reporting periods are more prevalent with private companies, this would allow each company the appropriate amount of time to gain input from relevant stakeholders and evaluate the effects of the approach on their financial statements.

Question 17 Response: We agree that formal documentation for hedge accounting must be completed within a few weeks of hedge designation under the simplified hedge accounting approach.

Question 18 Response: We believe the use of the full retrospective approach the most useful and comparative financial statements. It is unlikely that the private companies most likely to benefit from this Update will require significant resources to perform the full retrospective approach.

Question 19 Response: We agree that an entity within the scope of this proposed Update should be permitted to early adopt the proposed amendments.

Question 20 Response: Generally, we do not believe significant time will be needed to implement the proposed amendments. However, given this will be one of the first PCC proposals to become effective, additional time should be considered in order to ensure relevant stakeholders are educated as to its availability and affects on relevant financial statements.

Question 21 Response: We generally agree with the proposed definition of a public business entity, however believe that item (d) needs further clarification or limitation. At minimum, clarification and guidance related to the definition of unrestricted securities would be required in instances where an entity has public disclosure of its financial statements. Examples where this definition causes concern include a privately held franchisor that is required to disclose its financial statements in a Franchise Disclosure Document by the Federal Trade Commission and a privately held broker/dealer that is required to file their financial statements with FINRA and whose financial statements end up on the EDGAR system. We do not feel a privately held franchisor or broker/dealer should be scoped into this definition and should not be held to the same financial reporting requirements as entities that meet the requirements of items (a), (b), or (c). By their nature, these are often small businesses with a simple operating structure and imposing additional reporting obligations as a result of this definition is inappropriate in our view.