



New Jersey Society of Certified Public Accountants

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October 10, 2013

Via email to director@fasb.org

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

RE: Proposed Accounting Standards Update – Consolidation (Topic 810)
Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements
(a proposal of the Private Company Council)
File Reference No. PCC-13-02

Dear Technical Director:

The Accounting and Auditing Standards Interest Group of the New Jersey Society of Certified Public Accountants (NJSCPA) is pleased to offer its comments on the above referenced proposed standard. The NJSCPA represents over 15,000 certified public accountants and prospective CPAs. The comments herein represent those of some of the individuals of our Accounting and Auditing Standards Interest Group (Group) only, and do not necessarily reflect the views of all members of the NJSCPA.

We commend the Financial Accounting Standards Board (FASB) and the Private Company Council (PCC) in their efforts to reduce the overall complexities of existing guidance for private companies. Generally we agree with the above referenced proposal and request that the FASB and PCC consider providing additional relief for private entities in the overall accounting in the consolidation of variable interest entities. Our responses to the proposal's specific questions are as follows:

Question 1: *Please describe the entity or individual responding to this request. For example:*

- a. *Please indicate whether you primarily are a preparer, user, or public accountant. If other, please specify.*
- b. *If you are a preparer of financial statements, please indicate whether your entity today is considered privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).*
- c. *If you are a public accountant, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.*
- d. *If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.*

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The NJSCPA Accounting and Auditing Standards Interest Group consists of several CPAs in public practice servicing both public and private companies, along with some CPAs in industry. The accounting firms represented in our Group vary in size, ranging from sole practitioners, and local and regional firms specializing in servicing privately held companies, to nationally recognized accounting firms with practices that service both public and privately-held companies.

Those in our Group representing CPAs in industry operate in various capacities. Some are the preparers of financial statements for public and private companies and others represent lenders and investors.

Questions 2: *Do you agree that the accounting alternative in the proposed Update should apply to all entities except public business entities, not-for-profit entities, or employee benefit plans within the scope of Topics 960 through 965 on plan accounting? If not, what type of entities should not be included in the scope of the accounting alternative?*

We agree that the proposed Update should apply to all entities except public business entities, not-for-profit entities, or employee benefit plans within the scope of Topics 960 through 965 on plan accounting.

Questions 3: *Do you agree that the proposed Update does not apply to public business entities and employee benefit plans because they lack the arrangements that the accounting alternative addresses? If not, please describe the arrangements that exist for those types of entities that the Board should consider in determining whether any public business entities or employee benefit plans should be included in the scope of the proposed accounting alternative.*

We agree that the proposed Update does not apply to public business entities and employee benefit plans

Questions 4: *Do you agree with the required criteria for applying the proposed accounting alternative? If not, please explain why.*

We agree with the required criteria for applying the accounting alternative.

Question 5: *Do you agree that paragraph 810-10-55-9, which describes the effects of guarantees and joint and several liability arrangements related to a mortgage on the lessor's assets, provides sufficient guidance to clarify what constitutes a supporting leasing activity for applying paragraph 810-10-15-17A(c)? If not, please explain why.*

We agree with the criteria described in paragraph 810-10-15-17A(c) in the determination of whether a legal entity shall be subject to consolidation under variable interest entity guidance. We also agree with the implementation guidance in paragraph 810-10-55-9 describing the effects of guarantees and joint and several liability arrangements. This implementation guidance assists in clarifying what constitutes a supporting leasing activity.

Question 6: *Do you agree that the following additional disclosures about lessor entities should be provided if a private company elects the proposed accounting alternative? If not, please explain why.*

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- a. *The key terms of the leasing arrangements*
- b. *The amount of debt and/ or significant liabilities of the lessor entity under common control*
- c. *The key terms of existing debt agreements of the lessor entity under common control (for example, amount of debt, interest rate, maturity, pledged collateral, and guarantees)*
- d. *The key terms of any other explicit interest related to the lessor entity under common control.*

Should other disclosures be required as a result of applying this alternative?

We agree with the additional disclosures, and request that the FASB consider providing enhanced guidance clarifying what would constitute “key terms” of a leasing arrangement. Additionally, we request that the FASB consider existing disclosure requirements regarding joint and several liability arrangements, related parties, etc, and the possible redundancy the inclusion of these additional disclosures may cause in the financial statements.

Questions 7: *Do you agree that, generally, the primary purpose of establishing a separate lessor entity in a private company setting is for tax and estate-planning purposes and not to structure off-balance-sheet debt arrangements? If not, please explain why.*

We agree there are several genuine reasons why a separate lessor entity in a private company is established.

Question 8: *Would the proposed accounting alternative, including the required disclosures, address private company stakeholder concerns about relevance of consolidated information without causing a proliferation of the use of lessor entities to avoid reporting assets and liabilities for which the reporting entity is responsible? If not, why?*

We agree that the proposed accounting alternative addresses private company stakeholder concerns about relevant information regarding the use of lessor entities.

Questions 9: *Do you agree that the proposed accounting alternative, when elected, is an accounting policy election that should be applied by an entity to all current and future lessor entities under common control that meet the criteria for applying this approach?*

We agree that the proposed accounting alternative, when elected, is an accounting policy election, and should be applied by an entity to all current and future lessor entities under common control that meet the application criteria.

Question 10: *Do you agree that the proposed accounting alternative should be applied using a full retrospective approach in which financial statements for each individual prior period presented and the opening balances of the earliest period presented would be adjusted to reflect the period-specific effects of applying the proposed amendment?*

We agree that the application of the alternative should be applied using a full retrospective approach for each prior period presented, and that the opening balances of the earliest period presented should be adjusted to reflect the period-specific effects of applying the proposed amendments.

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Question 11: *When should the proposed alternative accounting be effective? Should early application be permitted?*

We suggest that the proposed alternative accounting be effective for fiscal periods ending on or after December 15, 2013, and that early application be permitted.

Questions 12: *Do you agree that the example that is codified in paragraph 810-10-55-87 through 55-89 (described in paragraph BC19 through BC20 of this proposed Update) should be removed? Do you agree that the removal of the example would not significantly affect public business entity stakeholders? If not, please explain why.*

We support the removal of the example.

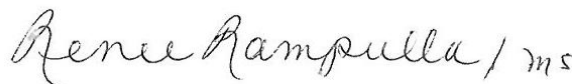
Question 13: *The PCC Considered two other alternatives (as described in paragraphs BC15 through BC18 of this proposed Update) to clarify the application of VIE guidance to common control leasing arrangements.*

- a. *Would either of those alternatives better address the concerns raised by private company stakeholders?*
- b. *Should the PCC and the Board consider either of those alternatives in conjunction with the guidance in this proposed Update to better address the concerns raised by private company stakeholders?*

We believe the Board and the PCC have chosen the best possible alternative in the application of VIE guidance to common control leasing arrangements. This alternative will reduce the costs and complexities of applying VIE guidance to these types of leasing arrangements.

Thank you for the opportunity to comment. We are available to discuss our comments at your convenience.

Respectfully submitted,



Renee Rampulla, CPA, CMGA, Leader
Accounting and Auditing Standards Interest Group
New Jersey Society of Certified Public Accountants

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