FASB PCC 13-02 Consolidation

Date of Entry: 9/27/2013

Respondent information

Type of entity or individual:

Contact information:

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Phone number

Phone number: Questions and responses	
1a.	Please indicate whether you primarily are a preparer, user, public accountant or, if
Managa	other, please specify.
	r in a public accountanting firm.
1b.	If you are a preparer of financial statements, please indicate whether your entity is 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).
1c.	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.
Manage	r in a public accountanting firm.
1d.	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.
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 this accounting alternative?
except t that hav also not	e that the accounting alternative as proposed in the update should apply to all entities hose listed. Private companies have been burdened with the application of standards e no relevance. The users of the financial statements are gaining from this additional disclosure. The application of the update would ease this and improve financial reporting.

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 would not apply to public business entities and employee benefit plans.

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

Yes, the criteria outlined in the proposed amendment at 810-10-15-17A is logical and clear.

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.

Yes, the criteria outlined in the proposed amendment at 810-10-55-9 is logical and clear.

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.
br /> 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.
br />Should other disclosures be required as a result of applying this alternative?

Yes, I think it is important for the reader of the financial statements to understand the commitments surrounding these related parties.

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

Yes. For private companies, tax, estate planning, and risk management are the motivations behind the use of the separate lessor entities.

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?

The VIE exemption as described in this amendment is for a limited purpose with required disclosures. It does not eliminate the need for VIE analysis when other arrangements exist which may be holding off-balance sheet liabilities. The specific criteria identified will limit the ability to hold other assets and liabilities which should otherwise be reported.

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?

Yes, the election of this approach should be an accounting policy election that should be applied to all lessor entities under common control. Allowing the approach to be elected on an entity by entity approach would invite abuse and confusion for the financial statement user.

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 amendments?

For comparative purposes, a retrospective approach should be required.

11. When should the alternative accounting method be effective? Should early application be permitted?

As this is only a policy election and not a required change, the effective date should coincide with acceptance of the method. If a future date is implemented for an effective date, early application should be permitted.

12.

Do you agree that the example that is codified in paragraphs 810-10-55-87 through 55-89 (described in paragraphs 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.

Yes, removal of this example is necessary since consolidation in the circumstances as outlined in the example is dependent on the reporting entity's policies. The removal of the example would not significantly affect the public entity stakeholders.

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?.

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We believe the current proposal is the best approach. In the specific circumstances meeting the proposed criteria, it simply eliminates the need for a VIE analysis and the cost and complexity that surrounds the analysis.

Update comments. Please provide any additional comments on the proposed Update:

No additional comments.

EFF comments. Please provide any comments on the electronic feedback process:

This is a good method of addressing specific concerns in a consistent manner.