



Tel: 312-856-9100  
Fax: 312-856-1379  
www.bdo.com

EITF100G  
Comment Letter No. 5  
233 N. Michigan Ave., Suite 2500  
Chicago, IL 60601

November 5, 2010

Via email to [director@fasb.org](mailto:director@fasb.org)

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

RE: Proposed Accounting Standards Update, "Disclosure of Supplementary Pro Forma Information for Business Combinations" (File Reference No. EITF100G)

We are pleased to provide comments on the Proposed Accounting Standards Update, "Disclosure of Supplementary Pro Forma Information for Business Combinations" (the "Proposal"). We agree with the Task Force's Proposal to narrow diversity in practice in the presentation of pro forma information under US GAAP by more closely aligning it with the SEC's guidance in Article 11 of Regulation S-X. Our responses to questions contained in the Proposal are provided below, which include our suggested improvements.

#### Responses to Questions

*Question 1: Do you agree that if comparative financial statements are presented, the acquisition date that should be used for reporting the supplemental pro forma disclosure in Topic 805 should be only as of the beginning of the prior annual reporting period? If not, why not?*

We agree.

*Question 2: Do you agree that the additional disclosure of a description of the nature and amount of material, nonrecurring pro forma adjustments will provide useful information? If not, why not?*

We agree additional disclosure should be provided to describe the pro forma adjustments for users. We note the Proposal indicates *nonrecurring* adjustments that are directly attributable to the business combination should be reflected in the presentation. This approach is inconsistent with Article 11 of Regulation S-X, which states that adjustments should only give effect to events that are *expected to have a continuing impact* and requires disclosure of material nonrecurring effects of the transaction.<sup>1</sup> We believe pro forma information does a better job of "enabl[ing] users of financial statements to evaluate the nature and financial effect of a business combination<sup>2</sup>" if the pro forma amounts reflect the approach in Article 11 and exclude the nonrecurring effects of the business combination altogether. We recommend revising the Proposal to take this approach in computing the pro forma amounts and require disclosure of any material nonrecurring effects of the transaction. We note adopting an Article 11 approach would also be consistent with the investor preferences described in paragraph BC 5.

---

<sup>1</sup> See Rules 11-02(b)(5) and (6).

<sup>2</sup> ASC 805-10-50-1.

BDO USA, LLP, a New York limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Technical Director  
Financial Accounting Standards Board  
Page 2 of 2

***Question 3: Do you agree that the amendments in this proposed Update should be applied prospectively, with early adoption permitted? If not, why not?***

We disagree. We recommend retrospective adoption in the interest of comparability. Since many public entities will have developed pro forma information for prior business combinations pursuant to Article 11, we believe much of the information needed for retrospective adoption is available without undue cost or effort. Otherwise, diversity will persist for several years since prior year footnote disclosures that were not prepared consistent with the Proposal's guidance will continue to be presented in many sets of comparative financial statements. We believe the consistency sought under the Proposal is desirable and can be more quickly achieved at a reasonable cost with a retrospective approach.

In addition, we recommend adding an example to paragraph 805-10-50-2h.3 to avoid any potential ambiguity in this requirement, as follows (the marked changes in the Proposal are assumed to be final here):

**805-10-50-2** To meet the objective in the preceding paragraph, the acquirer shall disclose the following information for each business combination that occurs during the reporting period...

**h.** If the acquirer is a **public business entity**, all of the following...:

- 3.** If comparative financial statements are presented, the revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period (supplemental pro forma information). For example, disclosures would initially be provided for a business combination that occurs in 20X2, as if it occurred on 1 January 20X1. Such disclosures would not be revised when 20X2 is presented for comparative purposes with the 20X3 financial statements (even if 20X2 is the earliest period presented).

The suggested example is intended to prevent practitioners from interpreting the standard as calling for disclosures to be continually revised from year to year.

***Question 4: Do you believe that the effective date provides enough time for financial statement preparers to effectively implement the proposed amendments? If not, why not?***

We agree, either for prospective or retrospective adoption.

\* \* \* \* \*

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Lee Graul, National Director of Accounting, at (312) 616-4667 or Adam Brown, Partner in the National Accounting Department, at (214) 665-0673.

Very truly yours,



BDO USA, LLP