

February 15, 2012

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

Re: File Reference No.2011-220: Proposed Accounting Standards Update, *Consolidation (Topic 810): Principal versus Agent Analysis* 

The Accounting and Auditing Procedures Committee (the Committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the Proposed Accounting Standards Update (ASU) on *Consolidation*. The PICPA is a professional association of more than 21,000 CPAs working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The Committee is composed of practitioners from both regional and small public accounting firms, members serving in financial reporting positions, and accounting educators.

The Committee is primarily concerned with the piecemeal nature of the proposed guidance. The Committee notes that the Financial Accounting Standards Board (FASB, or Board) has avoided addressing the substantive issue of defining "control" and "effective control," instead focusing on the narrower issue of the agency relationship. Additionally, while the proposed changes would bring the standards in closer alignment with the international standards, substantive differences would remain (see page 6 of the exposure document). Therefore, the Committee is not convinced that the proposed guidance is comprehensive and final.

The Committee believes that the piecemeal manner in which the FASB has been addressing the consolidation guidance is unnecessarily burdensome. The cost is particularly high for privately held entities that have had to repeatedly reanalyze their relationships with variable interest entities and revise their financial reporting. In many cases consolidated financial information is not useful to the users of the financial statements, and therefore they have been willing to accept an exception to U.S. GAAP noted in the accountant's report or have made revisions to their debt agreements to require a special purpose financial statement presentation that omits the variable interest entities. Regardless of the financial statement users' needs, companies have had to analyze the impact of each FASB standard from FIN 46 issued in January 2003, FIN 46R in December 2003, seven related FSPs, and Statement No.167 in June 2009. Furthermore, as is mentioned in the proposed ASU, Statement No. 167 was deferred for investment companies due to the unforeseen consequences of the standard. Despite all of the public rhetoric supporting reduced complexity and considering the unique needs of privately held entities, the Committee is



concerned that the Board is rushing out another untested, piecemeal proposal to fix problems with previously issued standards without considering the related implementation costs. The Committee requests that the proposed standard be deferred or rescinded until the broader substantive issues are addressed and a comprehensive standard can be issued.

Finally, the Committee believes that the formatting of the exposure document, with the myriad of strikethroughs and underlines, makes it difficult to analyze how the proposed guidance would affect a specific scenario. The Committee requests that, going forward, the FASB provide two documents for the more lengthy, complex proposals: one showing the proposed final document, and a separate document marked up with the proposed changes.

We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

Richard E. Wortmann, CPA

Chairman, PICPA Accounting and Auditing Procedures Committee