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Ms. Susan M. Cosper Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5166 Norwalk, CT 06856-5116 15 February 2012

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

Dear Ms. Cosper,

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, Consolidation (Topic 810): Principal versus Agent Analysis (the proposed Update).

Overall, we support the amendments in the proposed Update. We believe the changes would more closely align the consolidation guidance in US GAAP with IFRS and would alleviate many of the concerns investors in the asset management industry had with FASB Statement No. 167 (FAS 167), Amendments to FASB Interpretation No. 46(R).

The proposed Update also would substantially reduce the differences between the consolidation models for variable interest entities (VIE) and voting interest entities in US GAAP. We support this alignment. In fact, we question the need for retaining two models. If the proposed Update becomes final, the primary difference that would remain appears to be the definition and consideration of related parties. It is unclear to us why the determination of a controlling financial interest in a VIE or voting interest entity should differ based on related-party considerations.

Having two models that are substantially the same also creates unnecessary complexity in consolidation accounting. If the Board's primary objective for retaining two models is to provide additional disclosures for certain types of entities, we believe a single model could still exist with specific disclosure requirements that address the risks associated with an interest in another entity and the effects of those interests on the financial statements.

The Appendix to this letter contains our responses to the Questions for Respondents in the proposed Update. Our responses highlight aspects of the proposed Update that we believe further support the development of a single consolidation model. For example, the purpose of the new principal-agent guidance appears to duplicate the existing guidance for determining whether fees paid to a decision

We acknowledge that other, less significant differences such as the treatment of silos would exist, but believe these differences could also be resolved with a single model.



maker or service provider represent a variable interest. We understand the Board's concerns expressed in paragraph BC14, but again believe they could be satisfied through amendments to disclosure requirements.

Our responses also highlight several aspects of the proposed Update that we believe require clarification or additional implementation guidance. The most significant of these include how to evaluate participating rights under the consolidation model for voting interest entities and how to identify which party, if any, consolidates when a principal or principals do not have power. In addition, if the Board's intent is for money market funds not to be consolidated, it should consider clarifying how an investment manager should evaluate implicit interests. As currently drafted, the implementation guidance and illustrations might lead an investment manager to conclude that it should consolidate money market funds.

We encourage the Board to consider these and other concerns expressed in the Appendix, including whether the development of a single consolidation model that applies to all entities is more appropriate.

We would be pleased to discuss our comments with the Board or the FASB staff at your convenience.

Very truly yours,



Responses to the Questions for Respondents included in the proposed Accounting Standards Update, Consolidation (Topic 810): Principal versus Agent Analysis.

Question 1:

When determining whether a decision maker is a principal or an agent, the proposed amendments require the analysis to consider the decision maker's overall relationship with the entity and the other parties involved with the entity. This analysis would be based on a qualitative assessment. Do you agree with this approach? If not, why?

Response:

Yes, we agree with a qualitative assessment that considers a decision maker's overall relationship with an entity and the other parties involved with the entity.

Question 2:

The evaluation of a decision maker's capacity would consider the following factors:

- a. The rights held by other parties
- b. The compensation to which the decision maker is entitled in accordance with its compensation agreement(s)
- c. The decision maker's exposure to variability of returns from other interests that it holds in the entity.

Are the proposed factors for assessing whether a decision maker is a principal or an agent appropriate and operational? If not, why? Are there any other factors that the Board should consider including in this analysis?

Response:

Yes, we believe the proposed factors are appropriate and operational. However, to avoid the development of evaluations that de-emphasize the qualitative assessment in favor of a quantitative assessment, we recommend removing the words "in aggregate" in paragraph 810-10-25-39L(a).

This paragraph states that a decision maker should evaluate its exposure to variable returns by considering its compensation and the other interests it holds in the aggregate. Some have interpreted the words "in aggregate" as a quantitative exercise. A quantitative exercise would imply that a decision maker could conclude its compensation and the other interests it holds each individually indicate it is an agent but that together these factors indicate it is a principal. For example, assume a fund manager receives an annual fixed fee equal to 1% of assets under management and a performance-based fee equal to 20% of the fund's profits. The fees are considered commensurate with the services provided. The fund manager also has a 10% pro rata investment in the fund and has no

additional obligation to fund any losses incurred by the fund. Also, assume the individual investors do not hold any substantive rights that would affect the decision-making authority of the fund manager. Those applying a quantitative approach to this example might conclude that the fees and equity interest each individually indicate the manager is acting as an agent but that quantitatively added together these interests indicate it is acting as a principal.

We do not believe this is how the Board intends for preparers to apply the guidance. Rather, we believe that the words "in aggregate" are meant to reinforce that a decision maker should consider all of the factors holistically – within the context of the purpose and design of the arrangement – in making a decision about whether a decision maker is a principal or an agent. If a decision maker concludes that its compensation and the other interests it holds each indicate it is an agent, we do not believe the two interests should be simply added together to reach a different conclusion.

To avoid confusion, we recommend removing the words "in aggregate" from the proposed Update. Without these words, we believe the proposed Update is sufficiently clear that a decision maker should consider all three factors holistically and apply different weightings to each factor on the basis of facts and circumstances. (See our responses to Questions 11 and 12 for additional suggestions for improving related-party considerations.)

Question 3:

The proposed Update would require judgment in determining how to weigh each factor in the overall principal versus agent analysis. Do you agree that the proposed amendments, including the related implementation guidance and illustrative examples, will result in consistent conclusions? If not, what changes do you recommend?

Response:

We agree with including a qualitative assessment that would involve the use of judgment when weighing each factor in the principal-agent analysis. However, the proposed Update is not clear about who would consolidate an entity when a principal or principals do not have power. For example, assume a general partner and a single limited partner form a limited partnership. The general partner has power but is deemed to be an agent because it has only a small pro rata interest in the limited partnership. Also, assume that the limited partner has no kick-out or participating rights and therefore also is not deemed to have power. In this circumstance, it is not clear whether the Board intends for the limited partner to consolidate the partnership, despite having no stated power. Based on the proposed guidance, we believe the limited partner would not consolidate because it does not have power. As a result, neither party would be exercising power as a principal, so no one would consolidate. It is unclear whether the Board would agree with our conclusion based on the Board's basis described in paragraph BC8 (i.e., "the party or parties that actually control the entity should not avoid consolidating the entity by delegating its decision-making authority"). To avoid inconsistent conclusions, we believe the Board should provide an example or otherwise clarify, within the body of the standard, which party would consolidate, if any.

An existing practice issue for asset managers is how to evaluate a fund for consolidation upon formation. An asset manager generally finances a start-up fund with seed capital and has few, if any, other investors. Under the proposed Update, an asset manager might conclude it is acting as a principal at formation and consolidate. However, as the magnitude of the asset manager's interest diminishes in comparison to other investors, it might later conclude it is acting as an agent and deconsolidate. In these circumstances, we believe an asset manager should be able to look to the purpose and design of a fund over its life to avoid consolidating and deconsolidating. The Board should consider providing additional guidance to address this issue.

The Board also should consider providing additional implementation guidance or illustrative examples that would address other entities. For example, we understand that attorney-in-fact managers of reciprocal insurance exchanges are similar in purpose and design to asset managers of investment companies. We suggest that the Board solicit feedback from users and preparers to determine whether additional guidance or examples are warranted.

Question 4:

Should substantive kick-out and participating rights held by multiple unrelated parties be considered when evaluating whether a reporting entity should consolidate another entity? If so, do you agree that when those rights are held by multiple unrelated parties, they should not in and of themselves be determinative? If not, why? Are the guidance and implementation examples illustrating how a reporting entity should consider rights held by multiple unrelated parties in its analysis sufficiently clear and operational?

Response:

Yes, we believe substantive kick-out and participating rights held by multiple unrelated parties should be considered when evaluating whether a reporting entity should consolidate another entity. We also agree that when the rights are held by multiple unrelated parties, they should not be determinative. Although the Board noted that one of its objectives with the proposal is to more closely align the consolidation requirements for voting interests with those of VIEs, it is unclear how to apply the amendments to participating rights in the General Subsections of ASC 810-10 (pre-Codification reference EITF 96-16) to corporations and other similar entities.

Existing guidance in the General Subsections of ASC 810-10² provides that a noncontrolling shareholder's participation in significant decisions that would be expected to be made in the ordinary course of business may overcome the presumption of control by the majority shareholder. The Codification defines "ordinary course of business" as "decisions about matters of a type consistent with those normally expected to be addressed in directing and carrying out current business activities, regardless of whether the events or transactions that would necessitate such decisions are expected to occur in the near term."

² Refer to paragraphs 810-10-15-10(iv) and 810-10-25-1:14 in the Codification for specific guidance.

Paragraph 810-10-25-11 further provides the following:

"Noncontrolling rights (whether granted by contract or by law) that would allow the noncontrolling shareholder to effectively participate in either of the following corporate actions shall be considered substantive participating rights and would overcome the presumption that the investor with a majority voting interest shall consolidate its investee. The following list is illustrative of substantive participating rights, but is not necessarily all-inclusive:

- a. Selecting, terminating, and setting the compensation of management responsible for implementing the investee's policies and procedures
- b. Establishing operating and capital decisions of the investee, including budgets, in the ordinary course of business."

In practice, we understand that the above guidance has generally been interpreted to mean that a noncontrolling shareholder is required to participate in only a *single* significant decision made in the ordinary course of business (and not all significant decisions) to overcome the presumption of control by the majority shareholder. For example, assume Shareholder A has a 55% equity interest in a voting corporation and the remaining 45% is held by Shareholder B. All significant decisions are made by majority vote with the exception that Shareholder B substantively participates in selecting, terminating and setting the compensation of management responsible for implementing the investee's policies and procedures. In practice, Shareholder A generally would not consolidate because Shareholder B (the noncontrolling shareholder) effectively participates in a single significant decision made in the ordinary course of business.

However, the proposed Update would change both the definition and evaluation of participating rights under the voting model for corporations and other similar entities. Paragraph 810-10-25-11 would be deleted and the evaluation of participating rights would focus on a noncontrolling shareholder's ability to effectively participate in "the activities that most significantly impact the investee's economic performance" rather than on a noncontrolling shareholder's ability to participate in a significant decision(s) made in the ordinary course of business. This change would align the evaluation of participating rights for voting corporations and other similar entities with the evaluation of participating rights under the existing consolidation guidance for VIEs.

The Variable Interest Entities Subsections of ASC 810-10 (pre-Codification reference FAS 167) also provide that a party must participate in "the activities that most significantly impact the entity's economic performance" to preclude another party from consolidating a VIE. While the word "all" is not explicitly stated, practice has required a party to participate in all of the significant activities to preclude another party from consolidating a VIE.

Because of the Board's stated intent to align the consolidation models for voting and variable interest entities, we interpret the amendments in the proposed Update to mean that a noncontrolling shareholder or shareholders would have to participate in all of the activities that most significantly impact the entity's economic performance to preclude a majority shareholder from having a controlling financial interest in a voting corporation or similar entity.

If our interpretation is correct, the changes to the definition and evaluation of participating rights could result in a significant change in practice for some majority shareholders that currently do not consolidate because noncontrolling shareholders have substantive participating rights (i.e., the noncontrolling shareholders participate in a significant decision(s) in the ordinary course of business, but not in all of the activities that most significantly impact the entity's economic performance). The decisions that "most significantly impact an entity's economic performance" also may not be the same as those decisions "made in the ordinary course of business."

The same can be said of the amendments to the consolidation guidance for voting partnerships in ASC 810-20. In practice, a limited partner's participation in a single significant decision made in the ordinary course of business has been sufficient to preclude a general partner from controlling a limited partnership or similar entity.

Applying the proposed Update to the previous example, Shareholder A would consolidate the voting corporation because Shareholder B does not participate in *all* of the activities that most significantly impact the corporation's economic performance. The presumption of control by Shareholder A would be overcome only if selecting, terminating and setting the compensation of management were the only significant activity that impacted the corporation's economic performance.

The Board should clarify whether it intends for participating rights to be evaluated for voting corporations and other similar entities in the same manner as for VIEs. Although, as previously described, we support the movement toward a single consolidation model, the Board should also consider whether further outreach is necessary to understand the implications of this specific change.

Question 5:

The proposed Update would not include a criterion focusing on the level of seniority of a decision maker's fees when evaluating the decision maker's capacity. Do you agree that the seniority of the fee relative to the entity's other operating liabilities that arise in the normal course of the entity's activities should not be solely determinative of a decision maker's capacity? If not, why?

Response:

Yes, we agree that the seniority of a decision maker's fees should not solely determine whether a decision maker is a principal or an agent. (See our response to Question 8 for additional suggestions when evaluating fees paid to decision makers.)

Question 6:

The evaluation of a decision maker's capacity places more emphasis on the decision maker's exposure to negative returns (for example, an equity interest or a guarantee) than interests that only expose the decision maker to positive returns. When performing the principal versus agent analysis, should the assessment differentiate between interests that expose a decision maker to negative returns (or both negative and positive returns) from interests that expose the decision maker only to positive returns? If not, why?

Response:

Yes, the principal-agent assessment should differentiate between interests that expose a decision maker to negative returns from interests that expose the decision maker only to positive returns for the same reasons expressed by the Board in paragraph BC25.

Question 7:

A reporting entity would be required to evaluate whether there has been a change in the decision maker's capacity by considering whether there has been a change in the purpose and design of the entity. For example, the purpose and design of the entity may change if the entity issues additional equity investment that is at risk to the decision maker. Do you agree with this proposed requirement? If not, please specify when this relationship should be reassessed and why.

Response:

Yes, we agree that a reporting entity should reconsider a decision maker's role as a principal or agent when there has been a change in the purpose or design of the entity. However, the guidance could be improved by clarifying what constitutes a change in purpose or design. For example, if a decision maker's other economic interests change through acquisition or disposition of interests (e.g., complete disposition or disposition of a substantive portion) through sale or transfer, we believe that a decision maker should reevaluate whether it is acting as a principal or as an agent. Upon reconsideration, the decision maker might conclude that its role in the entity has changed.

The Board might also consider providing a list of examples similar to those currently included in paragraph 810-10-35-4 for determining whether a reconsideration of an entity's VIE status is required. While we do not expect the list to be all-inclusive, examples would allow a reporting entity to identify events that clearly result in a change in purpose or design and would also provide guidance on how it should consider other events.

In addition, we noted the proposed edits to paragraph 810-10-05-10, which reads "A reporting entity could be involved in the design of the VIE and implicitly chooses choose at the time of its investment to accept the activities in which the VIE is permitted to engage." We are unsure what change in application the Board intended by making these edits. One existing practice issue relates to the identification of the primary beneficiary of a VIE when the VIE has few ongoing decisions. It is unclear whether the edits are intended to address this issue.

We believe that there are few structures that provide for no substantive decision-making. That is, we believe that substantially all entities have some level of decision-making and that few, if any, are on "autopilot." However, entities with limited decision-making require additional scrutiny to determine which party has the power. The purpose and design of the entity require careful consideration. In addition, the evaluation of power may require an analysis of the decisions made at the inception of an entity, including a review of the entity's governing documents, because these decisions may affect the determination of power. For entities with a limited range of activities, including certain securitization entities, we believe that power should be determined based on how that limited range of activities was established and directed. In making this assessment, we believe each variable interest holder's involvement in the design of an entity is a relevant factor. While this is not determinative, we believe that being involved in the design of an entity may indicate that a reporting entity had the opportunity and incentive to establish arrangements that result in the reporting entity being the party with the power.

We recommend that the Board clarify the purpose of the edits made to paragraph 810-10-05-10. If the intention was to address the aforementioned practice issue, we would suggest providing additional implementation guidance or an example of how to address the issue.

Lastly, we noted that the Board proposed edits to paragraph 810-10-15-12(d) in the Proposed Accounting Standards Update, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements* that were not included in the proposed Update. We recommend the Board conform the edits for scope exceptions to consolidation.

Question 8:

The Board decided to include the principal versus agent assessment as a separate analysis within the overall consolidation assessment, rather than replacing the current guidance for evaluating whether a decision-making arrangement is a variable interest (and accordingly, a principal) with the revised principal versus agent analysis. The Board believes that if an entity's fee arrangement does not meet the definition of a variable interest (for example, a nominal performance-based fee), the decision maker should not be required to continue the consolidation assessment. Do you agree? If not, why?

Response:

Yes, we believe that if an entity's fee arrangement does not meet the definition of a variable interest, the decision maker should not be required to continue the consolidation assessment. However, we believe a decision maker should be able to use the principal-agent guidance to determine whether to continue the consolidation assessment rather than being required to follow the existing guidance in paragraph 810-10-55-37. Retaining the existing guidance for determining whether fees paid to a decision maker or service provider represent a variable interest appears to duplicate the new principal-agent guidance. Under the proposed Update, a reporting entity would effectively evaluate the same fee arrangement differently when (1) evaluating whether the fee is a variable interest and (2) whether the reporting entity is acting as a principal or as an agent.

If the Board's primary objective for having two separate analyses is to avoid disclosure requirements for parties that do not have a variable interest, we believe that objective could be satisfied specifically through amendments to disclosure requirements. As described in our cover letter, we support the development of a single consolidation model that applies to all entities.

Question 9:

The Board expects the proposed principal versus agent guidance may affect the consolidation conclusions for entities that are consolidated as a result of the decision maker having a subordinated fee arrangement (for example, collateralized debt obligations). However, the Board does not otherwise expect the proposed amendments to significantly affect the consolidation conclusions for securitization entities, asset-backed financing entities, and entities formerly classified as qualifying special-purpose entities. Do you agree? If not, why?

Response:

We agree with the Board's observation that the proposed Update could change consolidation conclusions for some collateralized debt obligation (CDO) and collateralized loan obligation (CLO) structures as well as other similar structures. Often a manager consolidates a CDO or CLO under existing guidance solely because it has a variable interest through a subordinated fee arrangement. The manager may have few, if any, additional investments, and the fees it receives are otherwise at market. For arrangements such as these in which a manager receives an at-market fee and has few, if any, other economic interests, we believe the proposed amendments would likely result in deconsolidation of the CDO or CLO.

However, in other circumstances in which a manager might have a significant interest in a CDO or CLO, its consolidation conclusions likely would not change under the proposed Update. Managers of those entities would benefit from additional guidance on how to allocate income and loss attributable to unrelated investors when the CDO or CLO itself has no substantive equity. In practice, the managers typically assign income or loss not attributable to the parent to a "noncontrolling interest" or a similar line item by analogy to ASC 810's guidance on noncontrolling interests because they believe that presentation provides users of the financial statements with the best financial information. Also, the amount allocated to noncontrolling interests is generally recorded against the amount of "appropriated retained earnings" for the purposes of presentation in the balance sheet and statement of changes in shareholders' equity in accordance with ASC 505-10-45. In the absence of specific guidance, we understand the Securities and Exchange Commission staff has not objected to this approach when coupled with clear and transparent disclosure.

Question 10:

Update 2010-10 was issued to address concerns that some believe that the consolidation requirements resulting from Statement 167 would have required certain funds (for example, money market funds that are required to comply with or operate in accordance with requirements that are similar to those included in Rule 2a-7 of the Investment Company Act of 1940) to be consolidated by their investment managers. The amendments in this proposed Update would rescind the indefinite deferral in Update 2010-10 and would require money market funds to be evaluated for consolidation under the revised guidance. The Board does not intend the application of the proposed Update to result in money market funds being consolidated. Do you agree that the application of the proposed Update will meet this objective? If not, why and what amendments would you recommend to address this issue?

Response:

We believe that the proposed Update requires further clarification in its implementation guidance to meet this objective. Additional guidance should focus on how to identify the appropriate risks (e.g., credit risk) in the context of implicit variable interests. In practice, many sponsors of money market funds acknowledge that they have a vested interest in protecting their reputation and therefore may have an implicit interest to support the managed funds. The proposed Update suggests that the existence of an implicit interest could be the determining factor in concluding that the sponsor is acting in the capacity of a principal. Specifically, the proposed Update's Case C describes a sponsor with a variable interest through an at-market fee that also has an implicit financial obligation to ensure that the VIE operates as designed in order to manage the risk to its reputation in the marketplace. The level of economic variability the sponsor is exposed to through its fees and its implicit variable interest indicates that the sponsor is using its decision-making authority in a principal capacity. In this scenario, no substantive participating or kick-out rights are present. As a result, the sponsor would be required to consolidate the VIE.

This example may create confusion for certain money market funds about whether the manager should consolidate. The confusion could occur when the manager of the money market fund may have an implicit financial obligation to ensure that the fund operates as designed (i.e., maintains a constant net asset value of \$1 per share). Because the manager has maximum exposure to losses of the fund and has power over the decision-making and because there are no substantive participating or kick-out rights, it is possible the manager may conclude it is acting in the capacity of a principal and would have to consolidate. Therefore, the Board should provide further clarity and implementation guidance on how to consider implicit variable interests and other similar arrangements such as when evaluating a general partner's unlimited liability associated with a limited partnership.

Question 11:

For purposes of applying the proposed principal versus agent guidance, the proposed amendments would require a reporting entity to include the decision maker's direct and indirect interests held in an entity through its related parties. Do you agree with the requirement that a decision maker should include its proportionate indirect interest held through its related parties for purposes of applying the principal versus agent analysis? Why or why not?

Response:

Yes, we agree that the principal-agent analysis should consider the decision maker's proportionate exposure through its interest in a related party and not the entire interest held by the related party. We believe this change to the existing consolidation guidance would better reflect a decision maker's economic exposure to an entity, which would influence its role as a principal or agent. In addition, this change would align with the Board's definition of control, which the Codification states is "the direct or indirect ability to determine the direction of management and policies through ownership, contract or otherwise."

However, we noted that the proposed amendments would remove the existing paragraph 810-10-55-37A, which provides two exceptions to the term "related party" when evaluating whether fees paid to a decision maker or service provider represent a variable interest. These exceptions include an employee or an employee benefit plan of a decision maker or service provider. Because this paragraph would be deleted by the proposed Update, it is unclear whether a decision maker would have to consider direct and indirect interests held through an employee or employee benefit plan when determining whether it is a principal or an agent.

In addition, as provided in paragraphs 810-10-25-42:43, it is unclear when a reporting entity should consider related parties or both related parties and de facto agents in the consolidation model for VIEs. The Board should consider specifically stating when de facto agents are considered so that it is clear to readers.

As the Board reviews feedback from other respondents, it should consider whether retaining differences in related-party considerations between the models is appropriate and should clarify how to consider indirect interests held through employees or employee benefit plans.

Question 12:

The amendments in this proposed Update would require a general partner to evaluate its relationship with a limited partnership (or similar entity) by applying the same principal versus agent analysis required for evaluating variable interest entities to determine whether it controls the limited partnership. Do you agree that the evaluation of whether a general partner should consolidate a partnership should be based on whether the general partner is using its decision-making authority as a principal or an agent?

Response:

Yes, we agree that the evaluation of whether a general partner should consolidate a partnership should be based on whether the general partner is using its decision-making authority as a principal or as an agent. This change would move US GAAP closer to a single consolidation model.

The existence of two models creates unnecessary complexity and could result in different accounting conclusions depending on whether an entity is a voting interest entity or a VIE. While the proposed Update appears to effectively align the models, as discussed in our response to Question 11, differences in how to consider related parties would continue to exist. For example, if a reporting entity concludes that neither it nor one of its related parties or de facto agents meets the criteria to be the primary beneficiary of a VIE, but that as a group the reporting entity and its related parties have those characteristics, the parties in the group are required to identify one party that is "most closely associated" with the VIE as the primary beneficiary. The parties would consider power exercised by all related parties in the group, regardless of whether a related party is acting as an agent. As a result, a related party acting as an agent could be identified as the party "most closely associated" with a VIE and, therefore, may have to consolidate. This differs from the proposed consolidation analysis for voting partnerships, in which an agent would not be subject to consolidating the partnership.

Consistent with the Board's conclusion in paragraph BC8, we do not believe an agent should be subject to consolidating a VIE. However, the related-party provisions in 810-10-25-44 indicate that an agent might be the party within a related-party group that is most closely associated with the VIE and would have to consolidate. We do not understand why the Board would align the models almost entirely but retain this difference, which does not appear to justify the need for two models. For this reason, we believe the Board should consider developing a single consolidation model that applies to all entities or, at a minimum, make additional amendments so that an agent is not exposed to double jeopardy when performing a consolidation analysis for VIEs.

Question 13:

Do you agree with the proposed transition requirements in paragraph 810-10-65-4? If not, how would you propose to amend those requirements, and why? Please provide an estimate of how long it would reasonably take to implement the proposed requirements.

Response:

Yes, we agree with the proposed transition requirements, which are consistent with the manner in which FAS 167 was adopted.

Question 14:

Should early adoption be permitted? If not, why?

Response:

In general, we believe that users could face significant challenges if companies with the same fiscal years were not adopting standards at the same time. Therefore, we generally believe that early adoption should not be permitted for significant standards. However, the views of both preparers and users should be carefully considered and should strongly influence the Board's final decision about whether the proposed principal-agent guidance could be adopted early.

Question 15:

Should the amendments in this proposed Update be different for nonpublic entities (private companies or not-for-profit organizations)? If the amendments in this proposed Update should be applied differently to nonpublic entities, please provide a rationale for why.

Response:

No, we do not believe the proposed amendments should differ for nonpublic entities. In general, although we understand that some exceptions and modifications to standards will continue to be appropriate for private companies (particularly with respect to certain disclosure requirements), we are concerned about the possibility of numerous and significant differences being created in the area of recognition and measurement, which would give rise to a two-GAAP framework. In the case of consolidation requirements, we do not believe that differences in the manner in which entities are evaluated for consolidation should differ depending on the type of reporting entity.