



September 25, 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. 2012-200: Proposed Accounting Standards Update, *Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk*

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 *Financial Instruments*. The PICPA is a professional association of more than 20,000 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 surprised that, given the level of outreach by preparers and users of the financial statements of privately held entities, consideration of their unique characteristics and circumstances is not evident in this proposal. The Committee believes that the cost to implement the proposed standard outweighs the benefits for privately held entities, and requests that such entities be exempted from the proposed requirements. The Committee's concerns are twofold.

First, the Committee is concerned about the volume of the proposed additional disclosures. Users of the financial statements from privately held companies typically have greater access to management, and often can obtain specific information immediately, without waiting for the financial statements. Also, privately held companies typically have fewer resources available to implement new FASB standards. Furthermore, given the absence of an overall framework for footnote disclosures, adding significant volume to the footnotes will not improve the quality of financial reporting. The Committee is especially concerned regarding the proposed sensitivity analysis that would be required of privately held banks. In addition to management access, regulators already monitor the risks at these institutions. The Committee believes that the FASB should complete its current project on creating a Disclosure Framework, which seeks to "improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users of each entity's financial statement," prior to significantly expanding the disclosure requirements.



Second, the Committee noted that many of the proposed disclosures are forward-looking, raising numerous financial reporting and auditing issues. For example, many privately held companies have relatively unsophisticated accounting personnel who lack the expertise to provide these types of forward-looking disclosures. The Committee is also concerned about the auditability of the forward-looking disclosures and the related liability exposure that the auditors would assume for those forward-looking disclosures. Finally, the Committee is not convinced that the proposed disclosures would provide a meaningful picture of the financial health of privately held entities, as many of their assets that are used to support their future debt obligations are not considered to be liquid.

The Committee found the timing of the release of this proposal to be unusual given the Financial Accounting Foundation's support of the newly created Private Company Council, which will consider differential accounting standards for privately held entities. The Committee believes that the proposed Accounting Standards Update should be deferred for the PCC's consideration once the Disclosure Framework is finalized.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Wortmann".

Richard E. Wortmann, CPA
Chairman, PICPA Accounting and Auditing Procedures Committee