Virginia Society of Certified Public Accountants

September 25, 2012

Financial Accounting Standards Board

Submitted via email to director@fasb.org

Re: File Reference No. 2012-200; Exposure Draft of a Proposed Accounting Standards Update, Financial Instruments (Topic 825), Disclosures about Liquidity Risk and Interest Rate Risk

Dear Committee members:

The Accounting & Auditing Advisory Committee (the Committee) of the Virginia Society of CPAs (VSCPA) has reviewed and discussed the Proposed Accounting Standards Update, Financial Instruments (Topic 825), *Disclosures about Liquidity Risk and Interest Rate Risk* (the exposure draft). The VSCPA is the leading professional association in Virginia dedicated to enhancing the success of CPAs and their profession by communicating information and vision, promoting professionalism and advocating members' interests. The VSCPA consists of more than 10,000 individual members who actively work in public accounting, private industry and government agencies or in educational institutions. The Committee includes preparers, users and auditors of financial statements. We appreciate the opportunity to respond to the exposure draft.

We have significant concerns with the exposure draft and the cost benefit associated with compliance for small public and nonpublic institutions. We recommend that the FASB perform a cost benefit study before requiring the proposed disclosures to determine if the costs would outweigh the benefits to the users of financial statements of these smaller nonpublic and public financial institutions. The users of those entities financial statements are generally shareholders, some of which may be active in the governance of the entity, or in the case of small private banks or insurance companies, the financial regulators. We question the overall value of the proposed liquidity and interest rate risk disclosures to the financial statement users of these financial institutions in light of the information that may already be available to the users in their active roles in overseeing the activities of the entity. For users that are not actively involved in oversight, we question the usefulness of the proposed disclosures in monitoring their exposure to the entity's liquidity or interest rate risks.

We also question the reliability of the forward-looking liquidity disclosures and the estimations involved in preparing interest rate sensitivity analyses. Currently, similar disclosures are made by publicly traded institutions within their Management's Discussion & Analysis (MD&A) filings with the U.S. Securities Exchange Commission (SEC), which are afforded the safe harbor protections. We question the cost of compliance and the practicality of including this information within the audited financial statements for all entities within the scope of the proposed disclosures.

The Committee agrees with the goal of the FASB to provide financial statement users with useful information about an entity's liquidity risk and interest rate risk. We appreciate the opportunity to respond to the exposure draft to question the meaningfulness, practicality and cost of compliance in preparing this information for small public and nonpublic institutions. We believe that any forward-looking disclosures deemed to be meaningful to users regarding a company's liquidity and interest rate risks are more appropriate to be made within MD&A filings with the SEC.

Please direct any questions or concerns to VSCPA Government Affairs Director Emily Walker at ewalker@vscpa.com or (804) 612-9428.

4309 Cox Road
Glen Allen, VA 23060
p (804) 270-5344
f (804) 273-1741
vscpa@vscpa.com
www.vscpa.com

Sincerely,

Mike Wagner, CPA, CGFM
Chair

<u>2012-13 VSCPA Accounting & Auditing Advisory Committee</u>
Mike Wagner, CPA (Chair)
Joshua Keene, CPA (Vice Chair)
Audrey Davis, CPA
Heather Flanagan, CPA
Mitchell Hartson, Jr., CPA
Daniel Haynes, CPA
Staci Henshaw, CPA
Stephen Holton, CPA
Charles Valadez, CPA