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October 3, 2012

Susan M. Cospers, CPA
Technical Director
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PO Box 5116
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**Re: July 2, 2012 Exposure Draft of a Proposed Accounting Standards Update (ASU),
*Preparation of Financial Statements (Topic 205): The Liquidation Basis of
Accounting* [File Reference No. 2012-210]**

Dear Ms. Cospers:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to represent the views of local and regional firms on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC is supportive of the Board's decision to address liquidation basis accounting in the *Accounting Standards Codification*TM so that the old accounting guidance contained in the *AICPA Codification of Statements on Auditing Standards (AU 9508.33-.37—"Reporting on Financial Statements Prepared on a Liquidation Basis of Accounting")* can be eliminated.

SPECIFIC COMMENTS—QUESTIONS FOR RESPONDENTS

Question 1: *The proposed guidance would require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent, as defined in the proposed guidance. Is the proposed guidance about when an entity should apply the liquidation basis of accounting appropriate and operational? If not, why?*

Yes, the guidance appears appropriate and operational, although, as discussed below, special consideration is needed to address how an employee benefit plan should apply the guidance in the proposed ASU. (Please see Question 3 below.)

Question 2: *The proposed guidance includes a principle for measuring assets and liabilities, as well as related items of income and expense, using the liquidation basis of accounting. The proposed guidance would require supplemental disclosures about the methods and assumptions used in arriving at those measurements. This guidance is intentionally nonprescriptive in light of the specialized nature of liquidation basis financial statements and the impracticability of providing prescriptive guidance for the myriad of circumstances to which it might apply. Is the proposed guidance on how to prepare financial statements using the liquidation basis sufficient and operational? If not, why?*

Yes, the types of circumstances that may trigger the liquidation basis of accounting, coupled with the variability in the nature of entities reporting under U.S. GAAP, warrants a non-prescriptive method.

Question 3: *The proposed guidance would apply to all entities that prepare financial statements in accordance with U.S. GAAP. Should the proposed guidance differ for any entities (for example, investment companies) whose primary measurement attribute is fair value? If so, why?*

Applicability to all entities appears reasonable, as well as theoretically and economically sound. However, TIC believes the final ASU should specifically address issues unique to employee benefit plans (which report plan assets at fair value) or provide a scope exception for employee benefit plans, as appropriate. The length of the liquidation process (typically 3-5 years), the regulatory considerations, and the difficulty in estimating future distributions, among other matters, poses some unique challenges. For details, TIC refers the Board to the comment letter submitted by the AICPA Financial Reporting Executive Committee.

Question 4: *The proposed guidance would apply to a limited-life entity when significant management activities are limited to those necessary to carry out a plan for liquidation other than that which was specified in the entity's governing documents. Indicators have been provided to help an entity determine whether a plan for liquidation differs from that which was specified in the governing documents. Do you agree with the proposed guidance about when a limited-life entity should use the liquidation basis of accounting? If not, why?*

Yes, TIC agrees.

Question 5: *The proposed guidance would apply to public and nonpublic entities (that is, private companies and not-for-profit organizations). Should any of the proposed amendments be different for nonpublic entities? If so, please identify those proposed amendments and describe how and why you think they should be different.*

TIC does not anticipate the need for differential accounting for nonpublic entities. TIC believes the effective date for private entities could be the same as the effective date for public entities as long as enough time has passed between now and then to allow constituents sufficient time to learn about the new guidance. TIC believes entities facing imminent liquidation would also appreciate an option for early adoption of the standard.

OTHER COMMENTS

TIC noted that the proposed ASU does not address the accounting and reporting principles for an entity that has emerged from liquidation. Although the likelihood of re-emergence from liquidation is generally remote, at least one TIC member has had experience with this event for a public entity. TIC suggests this be considered for a future agenda project.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "Karen Kerber".

Karen Kerber, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees