



November 30, 2012

Via email to director@fasb.org

Technical Director
Financial Accounting Standards Board
File Reference No. 2012-220

RE: Invitation to Comment: *Disclosure Framework*

The Accounting and Auditing Committee of The Ohio Society of CPAs appreciates the opportunity to respond to the Board's Invitation to Comment. The OSCPA Accounting and Auditing Committee is comprised of CPAs employed in both business and public accounting, representing entities of various sizes, industries and capital structures.

In general, we support the efforts of the FASB staff in establishing a draft disclosure framework, with a goal 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 statements. Comments on the questions in specific chapters follow.

Specific Question Responses:

Chapter 1

QUESTION 1: *The details of this Invitation to Comment do not focus on the informational needs of donors to not-for-profit organizations. How, if at all, should the Board's decision process (see Chapter 2) be supplemented to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process (see Chapter 4) for the needs of donors when deciding which disclosures to include in notes to financial statements?*

Since not-for-profit entities differ from other for-profit entities, we believe that there could be a separate chapter or section that specifically addresses the needs of donors to not-for-profit entities. Once these needs are assessed, we believe that the non-profit entity can then apply many of the same decision-making processes outlined in Chapter 4 to the specific needs of the donors.

Chapter 2

QUESTION 2: *Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities' prospects for future cash flows?*

Yes, it is the opinion of this Committee that the Board's decision questions appropriately encompass information which should be considered by the reporting entities in the preparation of the financial statements and notes thereto. These decision questions focus on information that would be useful and most relevant in the decision making considerations of financial statement users. The decision questions adequately guide the preparers of financial statements

to consider business factors and information which may impact prospects to cash flows and not be considered by current reporting requirements.

The decision questions do require the reporting entities to make a judgment determining whether there is an impact to the financial statements which may affect a financial statement user decision. Accordingly, due to this subjectivity, it is the opinion of this Committee that these decision questions cannot in any way replace the current topical disclosure requirements. These decision questions would rather better serve as “catch-all” guidance designed to require reporting entities to consider other business factors which may be relevant but not currently required to be disclosed by existing guidance, at least not explicitly required. The Committee feels that these decision questions complement the current topical disclosure.

QUESTION 3: *Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities’ prospects for future cash flows?*

No. If applicable, any and all of the decision questions may result in the disclosure of information which is relevant and useful to the users of financial statements. It is the opinion of this Committee that the questions are at the proper level.

QUESTION 4: *Would these decisions questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?*

No, the Committee believes that the authoritative literature of the Board appropriately serves the public interest in an independent fashion. This authoritative guidance better serves the public interest by keeping all reporting entities on an even and measurable playing field. Should the decision questions be under the authority of the reporting entities the reporting practices would most likely vary so greatly that the public would lose its ability to consistently measure financial results. Additionally, these decision questions, as well as the current disclosure requirements, serve as guidance which is useful to the reporting entities in the preparation of financial statements and related information. This authoritative guidance also assists financial statement users in appropriately understanding generally accepted accounting principles as it relates to their analysis of financial statements.

QUESTION 5: *Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?*

Yes, the Committee believes these decision questions would be a useful complement to current reporting requirements. The Committee sees these decision questions as conceptual and very much based on the main objectives of the financial reporting process. As the business environment is continuously changing, decision questions such as these in this chapter will cause reporting entities to consider factors affecting cash flows or prospects for cash flows beyond just those required for current reporting compliance. Business transactions continually evolve and become more complex. Having a set of decision questions to consider, especially those based at the core objectives of our reporting process, will assist reporting entities and the

users in considering critical issues which may not be addressed in current specific topic reporting requirements.

Chapter 3

QUESTION 6: *Would any of the possibilities in the chapter be a practical and effective way to establish flexible disclosure requirements?*

We agree that the possibilities in paragraph 3.8 are extreme and that the possibilities included within paragraph 3.11 are more likely to produce effective flexible disclosure requirements.

QUESTION 7: *If more than one approach would be practical and effective, which would work best?*

We believe the most practical approach would be a minimum set of disclosures and an expanded set of disclosures. We believe the required minimum disclosures would help with consistency. Meanwhile, the flexibility with the expanded disclosures would permit the reporting entities to focus their disclosures on what is deemed relevant. We also believe the tiered approach could work but are concerned about the amount of time required in establishing the various levels. The timeliness of accounting standards updates could suffer under this approach.

QUESTION 8: *Are there other possibilities that would work better than any of the ones discussed in this chapter?*

No, we feel the possibilities listed in the discussion paper are well considered.

Chapter 4

QUESTION 9: *This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?*

Yes, we feel the description of the approach is clear enough. However, we do feel that it will take time for the financial statement preparers to adapt to this approach. These behavioral changes will require additional implementation time and guidance.

QUESTION 10: *Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?*

We are in agreement that over time this approach will help produce more relevant disclosures. Unfortunately, because of the principles based approach, consistency will reduce. Other obstacles include the tendency to default to disclosing items in question and consistent regulation of adherence to the underlining principles.

QUESTION 11: *Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?*

We believe decision documentation for disclosure will follow the topic recognition and measurement requirements. A flow chart following the guidance in this chapter would greatly aid preparers, especially during early adoption. Auditors should review the resulting conclusions with professional skepticism.

Chapter 5

QUESTION 12: *Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?*

We believe that the cross references would improve the effectiveness of disclosure in the notes. This would help provide the user of the financial statements a reference for them to be able to match up relevant information between the financial statements and the footnotes.

We are also in agreement that Tables and Headings can be helpful to the reader of the financial statements.

Although the Highlighting of Information potentially could be valuable, it has the potential for management to be selective on the types of events or transactions that they feel most noteworthy. It also may require Management's Discussion and Analysis, which is currently not required for all entities and would be an additional burden on the entities and their auditors.

QUESTION 13: *What other possibilities should be considered?*

We have no additional possibilities to suggest at this time.

QUESTION 14: *Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?*

As noted in paragraph 5.20, the current generalization is that accounting policies are noted first, then followed by notes in order of the balance sheet and income statement, then followed by contingencies and additional newer items. Although this presentation has its benefits, it is not consistently applied by everyone. Therefore, we believe that the order outlined in paragraph 5.22 has the potential to improve the effectiveness of disclosure.

QUESTION 15: *Are there different ways in which information should be organized in notes to financial statements?*

We have no additional ways to suggest at this time.

Chapter 6

QUESTION 16: *Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?*

We think that modifying annual disclosure requirements using the principles described in 6.17 would improve the effectiveness of disclosures for interim financial statements by focusing on disclosures that explain changes from the prior year.

QUESTION 17: *If you think that a framework for the Board's use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?*

The interim disclosure requirements should provide enough flexibility (similar to 3.11c) to allow the reporting entities to make their own judgments about the extent of interim disclosures based on materiality and the overall objective of providing the users new information that can materially affect future cash flow or changes from prior year-end (e.g. new events or changes to assumptions used to determine material estimates). We recommend including some level of disaggregated information (e.g. segment information) in response to the assumption that investors make decisions all year long.

QUESTION 18: *If you think that a framework for reporting entities' use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosure requirements for interim financial statements?*

N/A - We believe that a framework for the Board's use in deciding on disclosure requirements would improve the effectiveness of interim reporting.

QUESTION 19: *What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements? –*

There are two conflicting criticisms of interim reporting. The Board will have a difficult time establishing a framework that provides enough information for equity investors and investment advisors while ensuring that issuers can meet the right deadlines.

Chapter 7

QUESTION 20: *Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of significant accounting policies improve the effectiveness of disclosure?*

No, the Committee feels that a replacement of the existing requirement regarding disclosure of accounting policies would not improve the effectiveness. The current requirement to disclose significant policies allows the reader to better understand the accounting practices of the reporting entity. In many cases, it is accepted that the user may be familiar with the reporting entity and not need the information – however, where alternatives exist, this information, as currently required to be reported, may be very valuable to the user. Eliminating currently required disclosures regarding policies may reduce disclosure volumes, however we do not believe it improves effectiveness. In reality, the Committee believes it is most beneficial to leave it to the user whether or not they choose to use the information. The Committee certainly believes disclosure of an entity's policies where alternatives exist is most valuable – but eliminating significant and accepted policies as well does not improve effectiveness.

QUESTION 21: *Should the summary of accounting policies include information about the industry-specific accounting policies?*

Yes, the Committee feels that significant policies relative to a particular industry are valuable to a financial statement user. The Committee agrees that in most cases the users of financial statements will be familiar and sophisticated with respect to the reporting entity; however, disclosure of the significant policies, general and industry related, may still be valuable information to the user.

QUESTION 22: *Are there other required disclosures that could be modified or eliminated in the short term that would result in significant reductions in the volume of notes to financial statements?*

No, the Committee does not feel strongly about any such disclosures in particular. Regarding disclosure of accounting policies, this Board does not believe the gathering and reporting of such information is costly. Such information is readily available and relatively concise to report. Otherwise, where matters are applicable and material, the Board agrees such disclosure requirements are appropriate.

The Committee does recognize that any potential disaggregation of reporting requirements between publicly-held and private companies may be beneficial to both reporting entities and the users of the financial statements.

We appreciate the opportunity to respond to the Invitation to Comment. If you have any questions about the deliberations of the committee, please contact me at dsteward@battellecpas.com.

Sincerely,



Daniel P. Steward, CPA
Chair, Accounting and Auditing Committee
The Ohio Society of CPAs