31 January, 2011

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116
United States of America

Re: Effective Dates and Transition Methods

Dear Sir / Madam

We are pleased to comment on the Boards’ request for input about the effective dates and transition methods associated with several anticipated new accounting standards. Following consultation, this letter summarizes the views of the BDO network1.

We support the Boards’ continued efforts to develop, maintain and converge high quality accounting standards. We believe the Boards’ solicitation for comment on adoption is appropriate to ensure that the initial transition effectively delivers better information to users. Given the enormity of the anticipated changes, the potential exists to confuse readers, rather than inform them.

We believe an orderly transition will be facilitated by adopting the standards outlined in the discussion paper in two phases. The first phase would start with financial instruments because of its widely-acknowledged importance to financial markets. We believe it should also include the fair value measurement project, as well as the presentation of other comprehensive income, due to the interrelationship of these three standards. Ideally, they would take effect beginning in 2013. However, we note some jurisdictions are transitioning to IFRS in 2011. Consequently, the prospect of transitioning to IAS 392 in 2011 followed in quick succession by a transition to IFRS 93 in 2013 may actually warrant adopting the first phase in 2014. While it might be suggested that entities in this position could adopt IFRS 9, we note that the IASB is continuing its work to finalise the standard by the end of June 2011, the timing of which may make it impracticable for a 2011 first-time adopter. We also note that in one jurisdiction, the local regulator will not permit the early adoption of IFRS 9 by certain financial institutions. We believe the Boards’ ability to gauge this situation will improve with the public feedback it receives through the comment process. For IFRS reporters, we would also include the insurance project in phase one, as a coordinated adoption of financial instruments and insurance accounting would likely benefit insurers and users of their financial statements. Since US

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2 Financial Instruments: Recognition and Measurement
3 Financial Instruments
1 Service provision within the international BDO network of independent member firms ("the BDO network") in connection with IFRS (comprising International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the IFRS Interpretations Committee and the former Standing Interpretations Committee), and other documents, as issued by the International Accounting Standards Board is provided by BDO IFR Advisory Limited, a UK registered company limited by guarantee. Service provision within the BDO network is coordinated by BDO Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels. Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and the member firms is a separate legal entity and has no liability for another such entity’s acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA, BDO IFR Advisory Limited and/or the member firms of the BDO network. BDO is the brand name for the BDO network and for each of the BDO member firms. BDO IFR Advisory Limited, registered in England No 729596. Registered office: c/o Hackwood Secretaries Limited, One Silk Street, London, EC2Y 8NQ.
GAAP currently includes comprehensive insurance guidance, and the FASB’s insurance project is on a longer term schedule relative to the IASB, we would suggest those reporting under US standards adopt it in phase two.

The second phase would commence in 2015 and include all of the remaining projects such as revenue and leasing (as well as insurance for US GAAP enterprises). We believe this approach strikes an appropriate balance between the need to provide enhanced information in a timely manner with the practicalities of doing so.

We are also aware it is possible the Boards may not be able to complete the priority projects under the timing indicated on the current technical agendas. In this context, we believe due process should not be sacrificed for arbitrary deadlines, and to the extent more time is needed, we would recommend a corresponding extension of the effective dates that we’ve proposed. But more importantly, preparers may not be in a position to provide meaningful reports if they are not provided sufficient lead time as we suggest. As such, we caution the Boards against requiring a “big bang” adoption in the near term.

In addition, we recommend retrospective adoption for all of the standards, as it will promote a measure of comparability. Nevertheless, we also believe companies should be allowed to early-adopt on a voluntary basis. Some observers point out this reduces comparability across companies. However, given the judgment required to apply many elements of the new standards, a degree of diversity in practice is likely to emerge, particularly at adoption, for the same reasons that Board members often disagree in good faith while they deliberate alternative views in the standard-setting process. Consequently, some degree of noncomparability seems unavoidable. In that light, we do not believe early adoption should be precluded for companies with resources sufficient to transition on an accelerated basis, which would benefit their stakeholders.

Lastly, we note the FASB’s request that respondents answer the questions posed without regard to the possibility of IFRS being incorporated into the US reporting system by the SEC. Our responses have been prepared on that basis, although we agree with the FASB that transition issues may need to be reconsidered when the SEC provides additional clarity on the matter. If the SEC decides in favor of incorporating IFRS in the US, we question whether adopting any of the FASB standards would be appropriate if they were only to apply for a short period of time. Even converged standards contain differences in style and wording, due in part to their interaction with other parts of US GAAP and IFRS, as well as more substantive differences, such as the measurement provisions of noncontrolling interests in a business combination. In our view, it is not in anyone’s interest to incur the costs associated with two wholesale transition efforts in the span of a few years.

* * * * *

Our responses to the specific questions included in the request for views are set out in the attached appendices.
We hope that our comments and suggestions are helpful. If you would like to discuss any of them, please contact Andrew Buchanan, our Global Head of IFRS at +44 (0)20 7893 3300 or Lee Graul, the National Director of Accounting for BDO USA at (312) 616-4667.

Yours faithfully

BDO IFR Advisory Limited.
Appendix A - IASB questions

Q1. Please describe the entity (or the individual) responding to this Request for Views. For example:
   a) Please state whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor or other user of financial statements (including regulators and standard-setters). Please also say whether you primarily prepare, use or audit financial information prepared in accordance with IFRSs, US GAAP or both.
   b) If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant measure), and whether you have securities registered on a securities exchange.
   c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public entities, private entities or both.
   d) If you are an investor, creditor or other user of financial statements, please describe your job function (buy side/sell side/regulator/creditor/credit analyst/lending officer/standard-setter), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialise in, if any.
   e) Please describe the degree to which each of the proposed new IFRSs is likely to affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors and creditors might explain the significance of the transactions to the particular industries or sectors they follow).

BDO is the brand name for the BDO network and for each of the BDO member firms. The BDO network of independent member firms serves multinational clients through a global network of 1,138 offices in 115 countries, comprising the fifth largest accounting and consulting network in the world.

The proposed accounting standards in the Boards’ Memorandum of Understanding, as well as each Board’s separate projects, significantly impact the assurance and consulting services we provide to our clients. For example, our assurance practice performs audits of financial information prepared in accordance with IFRS and US GAAP for both publicly traded and privately held companies. As such, the ongoing development of converged, high-quality accounting standards is centrally important to the role that we and other auditors play in the capital markets.

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*Questions 1-8 correspond to those listed in the IASB’s request for views. Following that, we have responded to the two incremental questions posed in the FASB’s discussion paper in Appendix B.*
Q2. Focusing only on those projects included in the [the following table]:

<table>
<thead>
<tr>
<th>Project</th>
<th>IASB Transition Method</th>
<th>FASB Project:</th>
<th>Transition Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidation</td>
<td>Limited retrospective</td>
<td>Consolidation: investment companies</td>
<td>Prospective</td>
</tr>
<tr>
<td>Fair value measurement</td>
<td>Prospective</td>
<td>Fair value measurement</td>
<td>Limited retrospective</td>
</tr>
<tr>
<td>Financial instruments</td>
<td>Retrospective</td>
<td>Financial Instruments</td>
<td>Retrospective</td>
</tr>
<tr>
<td>Insurance contracts</td>
<td>Limited retrospective</td>
<td>Insurance contracts</td>
<td>TBD</td>
</tr>
<tr>
<td>Leases</td>
<td>Retrospective</td>
<td>Leases</td>
<td>Limited retrospective</td>
</tr>
<tr>
<td>Presentation of OCI</td>
<td>Retrospective</td>
<td>OCI</td>
<td>Retrospective</td>
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<tr>
<td>Revenue recognition</td>
<td>Retrospective</td>
<td>Revenue recognition</td>
<td>Retrospective</td>
</tr>
<tr>
<td>Joint arrangements</td>
<td>Limited retrospective</td>
<td></td>
<td>TBD</td>
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<tr>
<td>Post-employment benefits</td>
<td>Retrospective</td>
<td>Netting financial instruments</td>
<td>TBD</td>
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<td></td>
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<td>Financial statement presentation</td>
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<td></td>
<td></td>
<td>Financial instruments with characteristics of equity</td>
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</tbody>
</table>

As would be expected, we anticipate spending additional time in respect of the more complex accounting standards, in particular those which are likely to bring significant change to existing practice. Of the projects listed in the table with broad application, we anticipate that the most significant amount of time will be spent covering revenue recognition, financial instruments, and lease accounting, with accounting for insurance contracts also taking substantial time for insurers. Of the other projects, we anticipate that only the requirements for the presentation of OCI will have a small amount of time allocated.

As an international organisation that serves clients in every industry, we expect to incur significant training costs. These will be in relation to both internal training of our own partners and staff, and in external presentations to clients and contacts. The costs that we will incur will be principally time based, relating to the development of training material, attendance at training sessions and webcasts, and the drafting and publication of technical material.

Weighing the training effort of each project relative to the others is difficult at this stage. However, at present:

- We expect to spend marginally more time on financial instruments, revenue recognition and lease accounting compared to other projects, as noted above. We note these proposals could change significantly from their exposure drafts, which would impact our training efforts.
- Financial instruments could be especially taxing if the Boards do not converge their models.
- In the United States, many practitioners are familiar with some of the concepts in the revenue recognition proposal based on its similarity with existing standards that address multiple-deliverable arrangements outside of specialized industry accounting. This background should aid with the training effort in that jurisdiction. However, in others, the changes introduced by the new requirements may be very significant. We also note that the fair value project is quite similar to current US guidance and is somewhat consistent with practice under IFRS.
- The insurance project will require a meaningful investment for practitioners in this area of the literature since there is no existing standard under IFRS and the project would also create
wholesale changes to US GAAP. Beyond the challenges of adopting any new standard, some of
the more theoretical discounting and measurement provisions that the Boards are currently
deliberating could be particularly difficult to apply in practice.

Aside from these projects, it is too early in the standard-setting process to gauge the training efforts
associated with other developing pronouncements with precision. However, our understanding of the
FASB’s deliberations on financial statement presentation and financial instruments with characteristics
of equity suggests they too could entail significant training efforts, due in large part to the degree of
change they might create compared to current standards, depending on the jurisdiction concerned.

Q3. Do you foresee other effects on the broader financial reporting system arising from these new
IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or
tax reporting requirements? Will they give rise to a need for changes in auditing standards?

The broader financial reporting system will certainly experience the effects of the new standards.
Indeed, if the proposals were not designed to result in change, it would call into question whether
improvements to existing standards were actually warranted. More specifically:

- Professional analysts and other sophisticated users will need to become familiar with greater
  subjectivity in certain areas, and what some consider to be the movement away from
  conservatism. For example, the revenue proposal incorporates a higher degree of
  measurement uncertainty when estimating the amount of revenue to recognize, as opposed to
  situations that result in a deferral of revenue today. Similarly, the lease proposal would not
  require lessors to determine that renewal options are “reasonably assured” before including
  them in the measurement of a lease term, a current stipulation in US GAAP (with the
  equivalent “reasonably certain” requirement in IFRS).

- Creditors and regulators will likely need to consider whether changes to their covenants and
  solvency metrics are necessary. For instance, the leasing proposal will generally increase
  leverage ratios and improve EBITDA measures, even though the lessee’s underlying financial
  position has not changed. This situation might prompt creditors to revisit the covenants in
  their lending agreements. Similarly, bank and insurance regulators might reevaluate whether
  existing measures of capital adequacy continue to be appropriate.

- In the short run, preparers will incur additional costs to transition to the new standards such as
  additional personnel, external consultants, information system upgrades and the internal
  control enhancements that are necessary to comply with Section 404 of the Sarbanes-Oxley Act
  for SEC registrants, and other jurisdictions that have adopted similar requirements. Over the
  longer term, we would expect those costs to subside.

- Lastly, we expect some “levelling” in the generational knowledge base among practitioners.
  For example, experienced professionals who are steeped in the intricacies of existing real
  estate and leasing standards are valued by the market for their ability to quickly and correctly
  analyze a given transaction. In the future, these professionals will, of necessity, spend
  comparatively more time analyzing transactions under the new standards, similar to the effort
  required of younger professionals without the same experience.

With respect to auditing standards, we believe the growing role of judgment in accounting standards
underscores the importance of the process followed in a principles-based framework. We understand
the Public Company Accounting Oversight Board (PCAOB) has obtained feedback from its Standing
Advisory Group (SAG) about “potential auditability issues” in connection with the Boards’ current
projects. In this light, we believe it is appropriate for regulators to consider whether advancements in

See “FASB/IASB Projects and potential Challenges to Auditing” discussion paper at the October 13-14,
2010 meeting.
audit standards are needed concurrent with the development of new accounting standards. We believe this consideration should include evaluating the feasibility of a judgment framework, as recently discussed at the International Forum of Independent Audit Regulators (IFIAR).\textsuperscript{4} Otherwise, out-moded audit standards and potential second-guessing may undermine the improvements that new accounting pronouncements are intended produce. In this context we note that, as part of the Clarity Project, ISA 540 was revised to include enhanced guidance for auditors when dealing with accounting estimates, including (but not limited to) fair value accounting estimates and related disclosures.

In relation to the new accounting standards and related audit requirements, the new revenue standard in particular will bring additional considerations in respect of the bundling/unbundling of contracts and of judgements applied in the allocation of revenue, in particular for contracts where there are multiple possible outcomes. Similarly, under the new lease accounting standard, the significant increase in arrangements that will be recorded in balance sheet will bring associated judgements around, for example, contingent rentals and lease extension options.

Q4. Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

In the context of a broad implementation, we do not believe the methods of transition should vary by project because it would reduce comparability for users. Therefore, we recommend retrospective adoption for all of the proposals. However, as discussed in question 5, we believe it is of paramount importance that the Boards provide an ample period of time to prepare for adoption.

We also believe a single method of transition should apply to minimize potential unintended consequences, particularly when two or more standards might apply to the same instrument or transaction.\textsuperscript{7} For instance, the IASB proposes to adopt the consolidation proposal on a limited retrospective basis, while the fair value proposal would be adopted prospectively. We see no reason why a financial instrument carried at fair value that is initially recorded on the balance sheet under the consolidation standard should be measured differently in periods before and after the fair value proposal is adopted. In this context, some have argued that the use of hindsight should be avoided in the development of fair value measurements on a retrospective basis. If hindsight results in better information at adoption, we believe it should be used to benefit investors.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:

a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).

b) Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?

\textsuperscript{4} See minutes of the September 2010 IFIAR meeting, pg. 2.
\textsuperscript{7} We note this situation arose under US GAAP upon the adoption of FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled In Cash upon Conversion (Including Partial Cash Settlement) and EITF Issue No. 07-5, Determining Whether an Instrument (or Embedded Feature) is Indexed to an Entity's Own Stock.
c) Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.

d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

We recommend a dual-adopter date approach. Adopting the suite of standards in two stages would effect a compromise among several competing interests, as discussed below:

- The first date would require the adoption of financial instruments, OCI and fair value together with, for the purposes of IFRS, insurance contracts (please see our further comments below). We would start with financial instruments since there is broad agreement that this should be a priority project, as evidenced in the G20 leaders’ communiques on this topic. Since the Boards have developed the OCI proposal as a companion to financial instruments, we believe it should be effective at the same time. In addition, it would be efficient to adopt OCI in conjunction with financial instruments since the former will be significantly less costly to implement than the latter. We would also include the fair value project in this phase because of the prevalence of the fair value measurement attribute in accounting for various financial instruments. Assuming the Boards complete their work on these three projects by 30 June 2011, we believe they should be adopted for periods beginning on 1 January 2013.

However, as we noted in our cover letter, some jurisdictions are transitioning to IFRS in 2011. Consequently, the prospect of transitioning to IAS 39 in 2011 followed in quick succession by a transition to IFRS 9 in 2013 may actually warrant adopting the first phase in 2014. While it might be suggested that entities in this position could early adopt IFRS 9, we note that the IASB is continuing its work to finalise the standard by the end of June 2011, the timing of which may make it impracticable for a 2011 first-time adopter. We also note that in one jurisdiction, the local regulator will not permit the early adoption of IFRS 9 by certain financial institutions. We believe the Boards’ ability to gauge this situation will improve with the public feedback it receives through the comment process. For IFRS reporters, we would also include the insurance project in phase one, as a coordinated adoption of financial instruments and insurance accounting would likely benefit insurers. Since US GAAP currently includes comprehensive insurance guidance, and the FASB’s insurance project is on a longer term schedule, we would suggest those reporting under US standards adopt it in phase two.

- We would require adoption of the remaining projects for periods beginning on 1 January 2015. This would preserve a simultaneous adoption of revenue recognition and lessor accounting (as well as insurance for US GAAP enterprises), which certain constituents feel is appropriate due to some of the conceptual similarities in those projects. It would also provide a reasonable period of time for lessees to update their accounting and information systems to bring previously-classified operating lease arrangements on the balance sheet. While systems changes are not unique to the leasing proposal, the use of leases is pervasive across industries and we believe a significant lead time for this change is warranted. Similarly, the revenue standard appears likely to bring very significant changes to some entities, and again a longer lead time would be appropriate.

- It is important to note our suggested adoption dates assume all of the projects listed in question 2 are concluded in the periods reflected on the Boards’ current technical agendas. Given the length of time the Boards have debated some of these projects, it is reasonably

8See [http://www.g20.org/pub_communiquees.aspx](http://www.g20.org/pub_communiquees.aspx).
possibile one or more will not be completed this year. In this context we believe due process should not be sacrificed for arbitrary deadlines, and to the extent more time is needed, we would recommend a corresponding extension of the effective dates that we’ve proposed.

We recognize some of the largest preparers have resources sufficient to adopt all of the proposals at once. For that reason and others, we would allow early adoption (please see our response to question 6). However, we do not believe a mandatory “big bang” approach would be appropriate. It would place an inordinate strain on medium and small enterprises, which tend to have more limited internal resources. This, in turn, changes the cost/benefit assessment for those entities. In addition, it could result in a disservice to their investors and other stakeholders. To illustrate, a big bang retrospective adoption could increase the likelihood of errors being made, given the sheer volume of change in a single reporting period. In addition, diversity in practice may increase in judgmental areas since preparers and auditors would be making decisions under multiple new standards in a short span of time. That situation would preempt the development of “best practices,” which usually emerge for individual standards under a more measured pace. As such, we are concerned that the unintended effect of a big bang could be reduced comparability, which would undermine the primary benefit of retrospective adoption.

Q6. Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Yes, for practical reasons, we would allow all of the anticipated standards to be early-adopted. However, if an enterprise early-adopted financial instruments, we believe it should also be required to adopt OCI and fair value at the same time, based on the interrelationship of those standards. It may also be necessary for other standards to be adopted as a package if they are adopted early, due to their interrelationships.

We note the growing number of jurisdictions, and therefore preparers, who are first-time adopters of IFRS. We believe preparers should be able to early adopt the anticipated new standards (when final) rather than adopting them a year or two after their first-time adoption of IFRS as a whole. For example, sacrificing some comparability as a result of mixed decisions to early-adopt is worth avoiding the cost of adopting IAS 18,9 only to adopt the revenue proposal soon afterward.

More generally, we would allow enterprises currently reporting under IFRS or US GAAP the option to early-adopt. While allowing ample time before mandatory adoption, some enterprises may wish to accelerate the process. Working from the premise that the new standards represent an improvement over current standards, it would be sensible for users of financial statements to benefit from the enhanced financial reporting information as soon as preparers are able to provide it.

Q7. Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?

We generally agree. In principle, different mandatory effective dates between IFRS and US GAAP would be counter-productive for financial statement users. Consistent mandatory effective dates would also mitigate the time in which diversity would exist due to early adoption. Nevertheless, since US GAAP currently includes comprehensive insurance guidance, and the FASB’s insurance project is on

9 Revenue
a longer term schedule relative to the IASB, different effective dates for the insurance project may be necessary.

Q8. Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?

We do not believe first-time adopters should be permitted to adopt the anticipated standards any later than those who already report under IFRS, for example, adopting financial instruments in the second year of IFRS reporting. However, we think it reasonable to provide an option for first-time adopters to move directly to the new accounting standards, as discussed previously.
Appendix B - additional FASB questions

Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

In the past, we note the FASB has provided private companies with, say, an additional year to adopt certain standards compared to public entities. We understand the extra time is generally intended to offset the effect of resource constraints and so that private companies might benefit from the experience of public companies in implementing the new standard. With respect to the present discussion paper, input from US private company preparers will be helpful in gauging that dynamic as it relates to the Board’s current projects.

If the Boards accept our recommendation for a two-stage adoption using the timelines we suggest, we believe our approach would adequately address the practical concerns that typically warrant more time for private companies. Specifically, most private companies report on an annual calendar year-end basis. Since the fair value and OCI projects do not pose significant change to current US GAAP, we believe private companies would be able to implement financial instruments by March or April of 2014, when many 2013 private company annual reports will be issued.

After focusing on financial instruments, private companies will have a minimum of two additional years to prepare to implement the remaining projects. In addition, we expect some of the larger public companies will choose to early adopt those standards, which will provide private companies with some degree of additional insight into public companies’ experiences with adoption. These factors suggest that additional delays for private companies may be unnecessary.

Q9. How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

In general, we do not believe general purpose financial statements should have different recognition and measurement provisions based on whether a company is publicly or privately held. Otherwise, identical transactions would be treated differently simply because one entity is public and the other is private, an outcome we do not support. However, we believe there are circumstances that warrant different disclosure requirements, since many private companies are in closer contact with their stakeholders compared to public companies, and are therefore able to meet the information needs of their stakeholders through other avenues.

We are also aware some private companies do not believe certain provisions in US GAAP result in decision-useful information, such as the requirement to assess goodwill for impairment or the possibility of consolidating a related party leasing entity under the VIE model. In these situations, we note certain companies have arranged to provide financial statements to their stakeholders (e.g., lenders) (i) that reflect a GAAP departure, or (ii) that are prepared in accordance with specified contractual arrangements, rather than providing financial statements that comply with US GAAP.

We believe similar approaches may be considered with respect to the convergence projects’ effective dates and transition methods if individual private companies find them useful. Nonetheless, we do not think the standards themselves should contain different effective dates or transition methods for private companies. We note they might arrange to present a single year of financial statements under the new standards, lessening the impact of retrospective adoption.
Additional Comment

We suggest the FASB staff liaise with the SEC staff to apprise them of transition issues that will be unique to registrants. Specifically:

- It would help for the SEC staff to affirm (or adapt, if needed) its typical approach for each standard in the presentation of selected financial data under Item 301 of Regulation S-K: under retrospective adoption, the first three years of data would not be comparable with the prior two, a fact registrants would disclose.

- SEC staff guidance will also be needed in connection with registration statements. For example, assume a registrant retrospectively adopts a new accounting standard in 2013. In its 2013 annual report, it would typically present the effects of retrospective adoption for 2011 - 2013. If the registrant filed a registration statement in Q1 2013 presenting financial statements for 2010, 2011, 2012 and Q1 2013, would the registrant be required to retrospectively apply the new accounting standard to 2010?