September 24, 2012

Via email to director@fasb.org

Technical Director
Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update - Financial Instruments (Topic 825)
Disclosures about Liquidity Risk and Interest Rate Risk

Dear Technical Director:

The Accounting and Auditing Standards Interest Group of the New Jersey Society of Certified Public Accountants (NJSCPA) is pleased to offer its comments on the above referenced proposed standards. The NJSCPA represents over 15,000 certified public accountants. The comments herein represent those of some of the individuals of our Accounting and Auditing Standards Interest Group only and do not necessarily reflect the views of all members of the NJSCPA.

Overall Comments

We recognize that the Financial Accounting Standards Board (Board) believes the liquidity risk disclosures should apply to all entities, but in general we do not believe these proposed disclosures would provide effective added value to the users of nonpublic entity financial statements. Most of this information is readily available from other disclosures and the balance sheet.

Our responses to the following specific questions represent those of auditors of nonpublic entities and entities other than financial institutions.

Question 2: For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity's obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?
Most nonpublic entities and entities other than financial institutions do not match their assets with liabilities. Generally these entities would expect to settle their liabilities with funds generated from operations. We believe it would be difficult to ascertain and audit and most information would need to defer to management’s representation.

**Question 3:** The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. Expected maturity is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity’s expected timing of the sale or transfer of the instrument. Do you agree that the term expected maturity is more meaningful than the term contractual maturity in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

Most assets and liabilities in a typical nonpublic business environment would not have expected maturities or even contractual maturities. Most maturities would be left to management’s judgment. The proposed disclosure would simply mirror the balance sheet’s current assets versus current liabilities without providing the reader with much more additional information.

**Question 4:** The proposed amendments would require a quantitative disclosure of an entity’s available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

We do not believe a required quantitative disclosure would provide additional effective information because most nonpublic entities and entities other than financial institutions rely on cash flow from their operations to settle their liabilities. Liquid funds should already be apparent from the balance sheet along with other already required disclosures.

**Question 20:** The amendments in this proposed Update would apply to all entities. Are there any entities, such as nonpublic entities, that should not be within the scope of this proposed Update? If yes, please identify the entities and explain why.

We do not believe the proposed required disclosures will provide any additional benefit for the users of nonpublic entity financial statements. Generally most users of nonpublic entity financial statement have access to management, and any additional disclosure requirements would not be cost beneficial to a nonpublic entity.

**Question 21:** Although the proposed amendments do not have an effective date, the Board intends to address the need of users of financial statements for more information about liquidity
risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so please identify which ones and explain why.

As described in our overall comments, we do not believe the proposed disclosures provide effective added value to the users of nonpublic entity financial statements. If the Board does decide to apply this proposed guidance to all entities, we suggest a delayed effective date for nonpublic entities.

Thank you for the opportunity to comment. We are available to discuss our comments at your convenience.

Respectfully submitted,

Renee Rampulla, CPA, Leader
Accounting and Auditing Standards Interest Group
New Jersey Society of Certified Public Accountants

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