November 30th, 2012

Technical Director  
Financial Accounting Standards Board (FASB)  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  

Email: director@fasb.org  

RE: File Reference No. 2012-220  
Discussion Paper on the Disclosure Framework

Dear Board Members,

Thank you for the opportunity to comment on Disclosure Framework (“Framework”). We appreciate the efforts put forth to address the opportunity to improve effectiveness of disclosures in the financial statements of public and private companies.

I am writing on behalf of Koch Industries, Inc. and its subsidiaries (“Koch companies”) currently engaged in operations, trading and investments worldwide and in many industry sectors – including petroleum refining and chemicals and biofuels manufacturing, polymers and fibers, nitrogen-based fertilizers, minerals, forest and consumer products, ranching, industrial combustion and pollution control equipment, commodity and financial trading, and other strategic investments. Koch companies have a presence in nearly 60 countries and employ approximately 60,000 people worldwide.

First and foremost, we are glad the Board has taken on the endeavor to improve financial reporting transparency and generally agree with the comprehensive approach that is tentatively being proposed to evaluate existing and future disclosure requirements. Similar to other preparers and users of financial statements, we feel that without the ability to apply sound professional judgment, too many required disclosures can detract from achieving transparency and plain English reporting. In addition, we have found that some required disclosures are not relevant to the readers of our financial statements.
The sheer volume of required disclosures has forced companies toward more boiler plate disclosures in their attempts to minimize the ever-increasing costs associated with financial statement preparation. At times, these boiler plate disclosures make it difficult for financial statement users to locate relevant and material information in our footnotes. We believe it is imperative that preparers have the ability to perform comparative analysis of preparation costs and the value of the disclosed information.

We firmly believe that the quality of information disclosed in the notes as a whole should take priority over consistency and quantity and that financial statement preparers should have the ability to tailor specific reporting requirements to their organization’s business activities. As we discussed in our response letter to the Board’s discussion paper on the private company decision making framework, we believe that management is in the best position to make a professional judgment, along with input from the stakeholders and the market (auditors, banks/investors, and rating agencies), as to what information should be disclosed in the financial statements and can best reflect the true economic reality of the organization in its disclosed information. As such, we encourage the Board to consider the following suggestions:

**Economic Reality of Financial Information**

We appreciate the Board’s intention in devising a principle-based framework that can be used in the decision making process. We generally agree with all the fundamental principles and believe disclosures should include items that materially impact future cash flows. In addition, we encourage the board to ensure the framework highlights the importance of economic reality and transparency. We feel strongly that notes to financial statements should convey information not only by assessing material impacts on future cash flows, but by capturing economic reality of the underlying transaction and focusing on material items specific to the reporting organization’s activities. Transparency and quality of the disclosed information should take precedence over consistency, comparability, and quantity.

**Preparer Professional Judgment**

We agree with the Board that selectively applying disclosures will improve the relevance of disclosed information. Based on our experience, no two companies are the same. In our opinion, it would prove very difficult for the Board to determine where to allow flexibility without the benefit of considering each entity’s specific facts and circumstances. Thus, disclosure requirements should be less prescriptive. Management and the preparer of the financial statements are in the best position to provide concise information that discloses relevant and quality information.

The uses of boiler plate disclosures and reliance on checklists have inundated both the public and private sector as the volume and complexity of reporting requirements have increased significantly over the years. We believe having the flexibility to apply professional judgment will substantially reduce unnecessary disclosures. Although applying professional judgment is highly subjective, we believe that this is the best
approach as it forces a discussion and subsequently a consensus between management, auditors, the market and other financial statement users. We think that having the opportunity to apply sounds professional judgment and to perform an entity-specific cost-benefit analysis will help steer the financial reporting community toward better transparency and ensure only relevant and quality information is disclosed.

Transition

We understand changes of this magnitude can pose implementation challenges. In the case of making disclosures flexible, initially there might be differences of opinion, especially in cases of peer reviews, concerning required disclosures. However, we believe that in a relatively short amount of time consensus will occur, based on market forces, determining what disclosures should be consistent, and force all parties involved in the financial reporting process to disclose the most useful and relevant information. We feel that in the end, the gain from efficient and quality disclosures warrants the challenges of the transition period.

In summary, we strongly support and appreciate the efforts set forth by the Board to improve financial statement disclosures. We believe that the discussion paper has identified many of the issues that entities face with the current disclosure model, and that the Board is appropriately addressing these issues. Once again, we encourage the Board to consider the suggestions we have remarked upon and to continue its outreach on this project. We believe a well-crafted disclosure framework has the potential of having a significant positive impact on the financial reporting community.

We welcome the opportunity to sit down and discuss these issues in more detail. If you would like to discuss further, I can be contacted at 316-828-5500.

Kind Regards,

Shannon M. Vivar
Technical Accounting and Reporting Director
Koch Industries, Inc.