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Proposed Accounting Standards Update: Financial Services—Investment Companies
(Topic 946) Disclosures about Investments in Other Investment Companies

The Accounting Principles and Assurance Services Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee consists of 53 members, of whom 47 percent are from local or regional CPA firms, 27 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

**Question 1:** Do you agree that all feeder funds in a master-feeder arrangement (those that are regulated under the Investment Company Act of 1940 and those that are not regulated under that Act) should provide the financial statements of their master fund along with their own financial statements? Why or why not?

The Committee has no objection to the Board’s proposal. Once enacted, it will increase comparability through consistent application by all investment companies.

**Question 2:** Do you agree that all investment companies (those that are regulated under the Investment Company Act of 1940 and those that are not regulated under that Act) should be required to disclose in their financial statements information about investments held by investee funds that exceed 5 percent of the reporting investment company’s net assets? Why or why not?

The Committee has no objection to the Board’s proposal.

The Committee believes comprehensive disclosures of all transactions between the reporting investment company entity and or among its investments is important to understanding the information presented pursuant to ASC Section 946. While many of these transactions would be disclosed pursuant to ASC Section 850 Related Party Disclosures, if the investee entity does not meet the definition of a related party, the applicability of ASC Section 850 and the need to disclose transactions with that investee or among investees may be questioned. The Committee suggests that the Board consider whether to clarify that all transactions between and/or among the reporting investment company entity and its investments should be disclosed.
**Question 3:** Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability and/or auditability issues and why?

The Committee is not aware of any significant operability or auditability issues.

**Question 4:** How much time would be necessary to implement the proposed amendments?

The Committee has no specific response to this question.

**Question 5:** Should the effective date for investment companies other than public business entities be one year after the first annual period for which public business entities are required to adopt the proposed amendments?

The Committee supports a deferred implementation date for nonpublic entities.

**Question 6:** Do you agree that the proposed disclosure requirements should be applied prospectively and that early adoption should be permitted? Why or why not?

The Committee believes that the proposal should be applied prospectively. While consolidation policies may not change, it may be difficult to get data needed for the proposed disclosures for prior periods.

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We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

Michael D. Feinstein
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants