October 11, 2013

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

RE: File Reference No. PCC-13-02

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

We are happy to have the opportunity to respond to the above-referenced exposure draft (ED) concerning Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements. Our answers to the questions posed in the ED are provided below.

Question 1: Please describe the entity or individual responding to this request. For example: a. Please indicate whether you primarily are a preparer, user, public accountant or, if other, please specify.
b. If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).
c. If you are a public accountant, please describe the size of your firm (in terms of number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.
d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, surety, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.

The TSCPA is a nonprofit professional association with over 27,000 members. All members of the TSCPA Professional Standards Committee (PSC) are Certified Public Accountants. The PSC includes members who, as public accountants, assist in the preparation of financial statements for private company clients. Committee membership also includes members who are employed by private companies, nonprofit organizations, and governmental entities, and many of these members are responsible for preparing financial statements for their employers. Members in public practice include...
sole practitioners, partners in small and large firms, and individuals involved in financial consulting. All members of the PSC are involved in the preparation or use of financial statements, whether for clients, an employer, or as an expert witness/consultant.

**Question 2:** Do you agree that the accounting alternative in the proposed Update should apply to all entities except public business entities, not-for-profit entities, or employee benefit plans with the scope of Topics 960 through 965 on plan accounting? If not, what type of entities should not be included in the scope of this accounting alternative?

We agree that the accounting alternative in the proposed Update should apply to all entities except public business entities, not-for-profit entities, or employee benefit plans within the scope of Topics 960 through 965 on plan accounting.

**Question 3:** Do you agree that the proposed Update does not apply to public business entities and employee benefit plans because they lack the arrangements that the accounting alternative addresses? If not, please describe the arrangements that exist for those types of entities that the Board should consider in determining whether any public business entities or employee benefit plan should be included in the scope of the proposed accounting alternative.

We agree that the proposed Update does not apply to public business entities and employee benefit plans.

**Question 4:** Do you agree with the required criteria for applying the proposed accounting alternative? If not, please explain why.

We are in agreement with the required criteria for applying the proposed accounting alternative as provided in the proposed Update.

**Question 5:** Do you agree that paragraph 810-10-55-9, which describes the effects of guarantees and joint and several liability arrangements related to a mortgage on the lessor’s assets, provides sufficient guidance to clarify what constitutes a supporting leasing activity for applying paragraph 810-10-15-17A(c)? If not, please explain why.

We believe the paragraphs referenced in the question provide sufficient guidance to clarify what constitutes a supporting leasing activity for applying the related guidance provided in the proposed Update.

**Question 6:** Do you agree that the following additional disclosures about lessor entities should be provided if a private company elects the proposed accounting alternative? If not, please explain why.

- The key terms of the leasing arrangements.
- The amount of debt and/or significant liabilities of the lessor entity under common control.
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c. The key terms of existing debt agreements of the lessor entity under common control (for example, amount of debt, interest rate, maturity, pledged collateral, and guarantees).

d. The key terms of any other explicit interest related to the lessor entity under common control.

Should other disclosures be required as a result of applying this alternative?

We believe the additional disclosures in the proposed Update regarding lessor entities are appropriate and adequate in providing stakeholders with information in the event that a private company elects the proposed accounting alternative. Also, we do not believe that additional disclosures will be needed.

Question 7: Do you agree that, generally, the primary purpose of establishing a separate lessor entity in a private company setting is for tax and estate-planning purposes and not to structure off-balance-sheet debt arrangements? If not, please explain why.

We do agree that the primary purpose of establishing a separate lessor entity in a private company setting is for tax and estate planning and not to structure off-balance sheet debt arrangements.

Question 8: Would the proposed accounting alternative, including the required disclosures, address private company stakeholder concerns about relevance of consolidated information without causing a proliferation of the use of lessor entities to avoid reporting assets and liabilities for which the reporting entity is responsible? If not, why?

We believe that many of the private company stakeholder concerns are addressed in the proposed Update as drafted. However, we cannot speculate about the extent of such concerns on the part of individual private company stakeholders. Thus, there may be concerns of which we are unaware that may not be covered by the proposed Update.

Question 9: Do you agree that the proposed accounting alternative, when elected, is an accounting policy election that should be applied by an entity to all current and future lessor entities under common control that meet the criteria for applying this approach?

We believe that the accounting alternative, when elected, should be an accounting policy election that would be applied by a private company to all current and future lessor entities under common control that meet the criteria for applying this approach.

Question 10: Do you agree that the proposed accounting alternative should be applied using a full retrospective approach in which financial statements for each individual prior period presented and the opening balances of the earliest period presented would be adjusted to reflect the period-specific effects of applying the proposed amendments?

We agree that a full retrospective in which financial statements for each individual prior period presented and the opening balances of the earliest period presented would be adjusted to reflect the period-specific effects of applying amendments provided in the proposed accounting alternative.
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Question 11: When should the proposed alternative accounting be effective? Should early application be permitted?

We believe the proposed Update should be effective for fiscal years ending after December 15, 2014 with early application permitted.

Question 12: Do you agree that the example that is codified in paragraph 810-10-55-87 through 55-89 (described in paragraphs BC19 through BC20 of this proposed Update) should be removed? Do you agree that the removal of the example would not significantly affect public business entity stakeholders? If not, please explain why.

In general, we agree with the removal of the example codified in paragraph 810-10-55-87 through 55-89. However, if the proposed Update becomes an election and it is generally assumed that the primary purpose of establishing a separate lessor entity in a private company setting is for tax purposes, then when would this guidance be recommended for a private company? If there are no recommended scenarios that would apply to a private company, then the guidance should be reissued in total with separate application for only those entities that are required to implement it, and no further rewrite is necessary.

Question 13: The PCC considered two other alternatives (as described in paragraphs BC15 through BC18 of this proposed Update) to clarify the application of VIE guidance to common control leasing arrangements.

   a. Would either of those alternatives better address the concerns raised by private company stakeholders?

   b. Should the PCC and the Board consider either of those alternatives in conjunction with the guidance in this proposed Update to better address the concerns raised by private company stakeholders?

We do not believe that either alternative addresses the concerns better and that the Board should not consider either of the alternatives in conjunction with the guidance in this proposed Update. We further agree with the reasoning as outlined in paragraphs BC15 to BC18.

We appreciate the opportunity to provide input into the standard-setting process.

Sincerely,

[Sandra K. Brown, CPA]
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants