



LETTER OF COMMENT NO. (9

December 9, 2008

Russell G. Golden, CPA Technical Director FASB 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: October 9, 2008 Exposure Draft (ED) of a Proposed Statement of Financial Accounting Standards, Subsequent Events [File Reference No. 1640-100]

Dear Mr. Golden:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC fully supports the Board's project to incorporate subsequent events accounting guidance into the FASB Accounting Standards Codification (the Codification) by adopting relevant sections from the existing auditing standards in AICPA Professional Standards, Section AU 560, Subsequent Events, and from International Accounting Standard No. 10, Events after the Reporting Period. TIC also concurs with the following conclusions in the ED:

- Renaming the two types of subsequent events as recognized and nonrecognized, although the term "unrecognized" may be more grammatically correct;
- Retaining the existing GAAP/IFRS differences for selected topics, especially callable debt and debt to be refinanced.
- Requiring management disclosure in the notes of the date through which subsequent events have been evaluated and the basis for the date used
- Revising the definition of subsequent events to include the concept of financial statements being "available to be issued."





TIC appreciates the Board's effort to adapt the ED to reflect the differences in financial statement distribution (issuance) by public and nonpublic entities. TIC also supports the stated definition of the "available to be issued" date (paragraph 6). However, the definition has not been consistently or accurately applied throughout the ED.

The final standard should be clarified to state that the "available to be issued" date applies to any entity that does not have a defined issuance date. TIC believes such entities would be best defined as nonissuers (i.e., entities not subject to the Sarbanes-Oxley Act of 2002 or the rules of the SEC).

The Specific Comments section below discusses our concerns in greater detail, offers an alternative effective date and advises the Board to consider this standard as it finalizes the Disclosure of Certain Loss Contingencies ED.

SPECIFIC COMMENTS

Definition of the "available to be issued" date

TIC believes revisions to the ED are needed to clarify when entities may use the "available to be issued" date in lieu of the date that "financial statements are issued." Currently, the second and third sentences of paragraph 7 imply that any entity (public or private) that has wide distribution of its financial statements would have to evaluate subsequent events through the date that the financial statements are issued. TIC believes this requirement is neither relevant nor operational for a nonpublic entity.

Whether or not the entity has wide distribution of its financial statements is not an appropriate criterion for determining the disclosure evaluation date for subsequent events. The "available to be issued" date should be used by entities that have multiple distributions of their financial statements or that retain the approved financial statements in-house until they are needed by one or more users. Not-for-profit organizations are among those entities that have multiple distributions of financial statements, including one instance of "wide distribution." For example, creditors and donors may receive the financial statements shortly after the "available to be issued" date. Then the entity may publish a glossy annual report (including the financial statements) for wider distribution at a later date.

In this example, the date that the financial statements are widely distributed is irrelevant to the process. Financial statement users will be notified through the required note disclosure that subsequent events have been evaluated through the stated "available to be issued" date. TIC believes this is sufficient for the purposes of all financial statement users, who are then





in a position to evaluate the sufficiency of the date for their purposes.

In such cases, TIC believes the Board did not intend that management of a nonpublic entity would have a continuing responsibility for updating its footnote after each "issuance." Therefore, TIC recommends that the 2nd and 3rd sentences of paragraph 7 be deleted and that the first sentence of paragraph 7 be moved above paragraph 5.

In addition, if there are specific requirements for certain public companies to evaluate subsequent events through date of issuance, then this requirement should be discussed as part of paragraph 5. If an entity does not have a required date certain for issuance to all financial statement users, then it should be allowed to evaluate subsequent events through the "available to be issued" date.

Therefore, both definitions (paragraphs 5 and 6) should be clarified so that there is no question when each applies. TIC recommends that the distinction be made based on whether the entity is an issuer or a nonissuer. This distinction best reflects the actual pattern of "issuance" for each type of entity. For example, health care entities that are conduit debt obligors may be considered public companies for certain accounting standards, as discussed in FASB Staff Position FAS 126-1, Applicability of Certain Disclosure and Interim Reporting Requirements for Obligors for Conduit Debt Securities. However, conduit debt obligors do not meet the definition of an issuer, as defined by the SEC, and, in many cases, do not have a formal issuance date for their financial statements. Therefore, they should use the "available to be issued" date as the basis for subsequent events disclosure. TIC believes the final standard would provide clear and accurate guidance if the ED is revised to specify that issuers should always follow paragraph 5 (the "issuance" date), and nonissuers should always follow paragraph 6 (the "available to be issued" date).

Reissuance of Financial Statements

Paragraph 15 of the ED discusses reissuance of financial statements from only the public company perspective. On occasion, nonissuers also must reissue financial statements, often due to the discovery of errors in the existing financial statements. Therefore, TIC recommends that this paragraph be revised to illustrate its applicability to nonissuers. This could be accomplished by providing a nonissuer example to supplement the example presented in the first sentence of the paragraph. In addition, references to "issuance" and "reissuance" should be changed to "available to be issued" or "available to be reissued," respectively.

Effective Date

TIC believes that an effective date based on interim or annual financial statements issued





after ratification of the FASB Accounting Standards Codification (the Codification) is not appropriate for this standard, especially since the ED contains modifications from the original text in the existing auditing standard. Based on the stated date, TIC is concerned that the new requirements may become effective in the middle of an interim or annual engagement. For example, this standard would be effective for a monthly or quarterly financial statement as of May 31, 2009 that is issued anytime after July 1, 2009, the expected ratification date for the Codification. TIC believes it is inappropriate for the accounting rules to have the potential to change after the engagement has already started. Therefore, TIC recommends that the effective date be based on a specific balance sheet date in the future, with sufficient time provided for practitioner training and the preparation of implementation guidance.

Synchronizing the Subsequent Events ED with the Loss Contingency Disclosure ED

The "available to be issued" language in the Subsequent Events ED should be carried forward into paragraph 10 of the previously issued ED, Disclosure of Certain Loss Contingencies, to clarify management's responsibility for subsequent events relating to contingent liabilities in the financial statements of nonpublic entities. The current requirement in the Contingency ED for disclosure of subsequent events through the date of issuance is not operational for nonpublic entities.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Stephen Bodine, Chair

Stephen Bodine

PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committee

