

November 16, 2012

Technical Director
File Reference No. 2012-220
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

The Connecticut State Society of Certified Public Accountants, representing approximately 6,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the **Invitation to Comment**, *Disclosure Framework*.

The CTCPA's Financial Accounting Standards Committee deliberated the invitation to comment and prepared the attached response. These comments represent the views of the committee. If you would like additional information, please contact me at 203.323.2400 or bblasnik@odpkf.com.

Respectfully,

Bruce Blasnik, Chair Financial Accounting Standards Committee

Attachment



## Response to Invitation to Comment Disclosure Framework

This letter is being written to express the collective views of the members of the Accounting and Reporting Standards Committee of the CT Society of CPAs (the "Committee"). The Committee is made up primarily of practicing CPAs, but also includes members from academia and private industry. The practicing CPAs and industry members work primarily or exclusively with or in private companies. We are involved in preparing, or assisting in the preparation of, compiling, reviewing and auditing financial statements of private companies with revenues ranging from \$1 million to \$200 million or more.

We see development of a strong framework to promote consistent Board Decisions and appropriate exercise of reporting entity discretion as a positive step.

We believe the Board is correct that there are too many "boilerplate" disclosures that do not add any real value to the financial statements and that there are too many disclosures made related to areas that are either immaterial or not entity relevant. In current practice, the footnotes for subsequent events, use of estimates, capitalized assets and cash and cash equivalents do not vary from entity due to their not being an alternative and being a necessary part of preparing any financial statement. And they do not add to the user's understanding of future cash flow projections. These items should be assumed to be followed unless they are not or there is a significant material item that occurs due to the client following these methods. For example, it should be assumed that the financial statements preparers evaluated subsequent events, and need only disclose if there is a subsequent. There should not be a need to affirm a negative in the financial statement.

We favor limiting disclosures to those items that have the potential to affect future cash flow projections. For example, a majority of our clients are not SEC registrants; the current guidance on stock option disclosures is incompatible with the reporting needs of entities without a ready market for their equity. And therefore do not have an impact on cash flows other than in the event of the sale of Company. Until that point, there is really no effect on the entities operations for them to award stock options.

The board should establish a list of basic accounting policies that all entities are presumed to have followed. An entity would only disclose a deviation from those methods. The remaining rules where alternatives are available would be disclosed as needed.

For the remaining disclosures, we believe the current rules provided are sufficient. Of the methods to establish flexible disclosure requirements described in pages 36 to 42 we believe the most practical way would be for the Board should identify one set of potential disclosures, leaving it up to the entity to decide the relevance of each item because it is immaterial and/or irrelevant, based on their evaluation of its potential to affect future cash flow projections. The question will then be how an entity should evaluate whether the disclosure is relevant/ has the potential to affect future cash flow projections. We believe that there should be a clear guidance to help entities determine materiality and relevance for each disclosure that falls into this uncertain area. We believe this method would

result in organized and logical presentation, clearly linking the notes to the basic financials. Additionally, the rules should be clear enough to prevent a wide variance in financial statements to start developing due to preparers' opinions on what is relevant and not relevant.

Sincerely,

Bruce Blasnik Chair, CTCPA Accounting and Reporting Standards Committee