



June 20, 2013

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

Re: File Reference No. 2013-230: Proposed Accounting Standards Update, *Presentation of Financial Statements – Reporting Discontinued Operations (Topic 205)*

The Accounting and Auditing Procedures Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the Proposed Accounting Standards Update (ASU) on Discontinued Operations. The PICPA is a professional association of more than 20,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, members serving in financial reporting positions, and accounting educators.

The committee supports the FASB's stated purpose of reducing the number of disposals of assets that qualify for discontinued operations presentation and reducing the preparation cost of financial statements while providing "decision useful" information to stakeholders. However, the committee does not believe that the proposed revisions will accomplish the stated objective of reducing the number of components that are reported as discontinued operations. Instead, given the broad proposed definition of a component ("comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity") and the removal of the continuing involvement requirement, the committee believes that the number of entities reporting discontinued operations could increase. The committee raises the following basic example, which it believes now would be required to report as a discontinued operation – something it would not have under the extant guidance.

A business owner owns two grocery stores in different towns, and then sells one of the stores. Because the store meets the definition of a component and is in a different geographic location, the discontinued operations presentation would be required.

Our response to the specific questions are below.

Response to Question #1: We believe that further clarification as to what constitutes a "major" line of business or geographic area of operations is necessary. Additional guidance with respect to the characteristics of a major versus a non-major item is required, as this new term appears to be the most important aspect of the proposed definition of discontinued operations.



Response to Question #2: We believe the removal of the continuing involvement criterion would result in more disposals of assets qualifying for discontinued operations presentation and not less, which was the stated concern of the stakeholders and intent of the proposed update. While the removal of this criterion may have resulted in reduced preparer cost, any cost savings would be forfeited due to the proposed requirement to disclose information about the continuing involvement. The committee suggests that further clarification or perhaps simplification of this concept may resolve the differences in practice that have arisen.

Response to Questions #5 & #9: We do not agree with certain aspects of the proposed additional disclosures, as we believe they will add considerable additional costs to the preparation of financial statements without a corresponding level of benefit to the user. Specifically, the disclosures of the major classes of cash flows of the discontinued operations and the disclosures of major income and expense items from the discontinued operations and related reconciliations would require significant additional preparation time. In particular, we feel these disclosures do not pass the cost/benefit test for nonpublic entities, where stakeholders typically have a much greater ability to interact directly with management and could ascertain similar information in a less formal and cost-efficient manner that does not require inclusion in the financial statements. Therefore, the committee requests that, at a minimum, nonpublic companies be exempted from these excessive disclosure requirements. If this exemption is not made for nonpublic entities, the committee requests that the example include fact patterns that are relevant to a nonpublic entity.

We appreciate your consideration of our comments are available to discuss any of these with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Wortmann".

Richard E. Wortmann, CPA
Chair, PICPA Accounting and Auditing Procedures Committee