



September 12, 2013

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

File Reference No. PCC-13-02

Dear Ms. Cospers:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to provide its views to the Financial Accounting Standards Board (FASB) and the Private Company Council (PCC) on the Proposed Accounting Standards Update, *Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements*, issued on August 22, 2013 (Proposal).

The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Information on the FRC can be found at www.imanet.org under the Advocacy section.

As stated in our letter to the FASB dated August 23, 2013 regarding the PCC Proposals issued July 1, 2013, the concerns raised by private company users, preparers and auditors are real and we support the goals of the Proposals to provide decision-useful information to users and to reduce cost and complexity. However, we are very confused by this Proposal and the Proposals issued July 1, 2013 as we had believed that PCC proposals would be consistent with the objective of the private company decision-making framework. The objective as posted on the FASB website states that the framework "is not intended to be an entirely new conceptual framework that would lead to a basis for preparing financial statements of private companies that is fundamentally different from the basis for preparing financial statements of public companies". This Proposal and the others allow completely different recognition and measurement, essentially creating a fundamentally different basis for preparing financial statements for private companies.

We also note that the Proposal asserts that most users of private company financial statements stated that consolidation is not relevant and distorts the financial statements of the lessee and, thus, the Proposal improves financial reporting as well as reducing cost and complexity. If true, then perhaps the proposed alternative should be required, not optional, and should perhaps apply to all companies. We also found it curious that accounting should be influenced by whether the intent is tax or estate planning or an off balance sheet structuring arrangement as the Proposal notes. Further, we note that the Proposal only applies to VIEs, not regular leasing subsidiaries owned directly.

As stated in our letter dated August 23, 2013, we do not favor any of the PCC Proposals in the context of a separate set of standards that result in different recognition and measurement principles for privately held companies for the following reasons.



- We believe differences in the core recognition and measurement underpinnings for public and private companies dilute US Generally Accepted Accounting Principles (GAAP).
- We do not believe public and private companies should have different accounting for the same economic transactions.
- We are not convinced that user needs are substantively differentiated to justify the different recognition and measurement principles.
- We believe the Proposals address complexity by adding complexity.

Further, we believe that the Proposals are premature and the comment periods are too short. Our concerns are discussed in detail in our letter dated August 23, 2013.

In particular, this Proposal is troubling because our experience (and common sense) suggests that the transactions covered by the Proposal are not uncommon related party transactions in the private company universe and that these transactions are of great interest to creditors. If these transactions are not included in the financials of the private company, it clearly makes more work for creditors to get the information.

We would be pleased to discuss these comments with you at your convenience.

Sincerely,

Nancy J. Schroeder, CPA
Chair, Financial Reporting Committee
Institute of Management Accountants
nancy@beaconfinancialconsulting.com