September 16, 2013

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update –
Definition of a Public Business Entity: An Amendment to the Master Glossary

File Reference No. 2013-310

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 29,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

J. Michael Kirkland
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE –
DEFINITION OF A PUBLIC BUSINESS ENTITY: AN AMENDMENT TO THE MASTER GLOSSARY

FILE REFERENCE NO. 2013-310

September 16, 2013

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New York State Society of Certified Public Accountants

Comments on
Proposed Accounting Standards Update –
Definition of a Public Business Entity: An Amendment to the Master Glossary

File Reference No. 2013-310

We are pleased to respond to the Financial Accounting Standards Board's (the Board's) Proposed Accounting Standards Update – *Definition of a Public Business Entity: An Amendment to the Master Glossary* (the "Update"). Our responses to the Questions for Respondents are presented 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, or public accountant. If other, please specify.**
b. **If you are a preparer of financial statements, please indicate whether your entity today is considered 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, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.**

Response: We are the New York State Society of Certified Public Accountants, representing more than 29,000 CPAs in public practice, industry, government, and education. We represent our entire membership some of whom are auditors, users, and preparers of financial statements of both publicly and privately held companies.

Question 2: Do you agree with the definition of a public business entity included in this proposed Update? Please explain why.

Response: Except as discussed below, the Board's tentative definition of a public business is appropriate solely for the purpose of identifying the entities not permitted to apply the modifications and exceptions guidance issued by the Private Company Council ("PCC"). As discussed in paragraphs BC37 and BC38, the Board decided not to revise the existing definitions of "nonpublic entity" and "public entity" at this time. The amended codification will not contain this explanatory language, which could result in the confusion that paragraph BC37 identifies, but does not resolve. Accordingly, we highly recommend that the definition of "public business entity" clearly contain language limiting this definition to PCC guidance.

Conduit bond obligors should be excluded from this definition and be permitted to apply the modifications and exceptions guidance issued by the PCC. Certain private companies are parties to conduit bonds issued by state and local government agencies. While tradable, such securities are frequently held by a limited number of institutional and sophisticated investors. These users are typically more interested in available cash flows to service the debt. We seriously question the benefit of excluding such conduit bond obligors from applying PCC guidance.

Criterion "d" regarding conduit bond obligors for unrestricted securities that are traded or can be traded would seem to include all entities receiving financing from governmental sources. Theoretically, all financial instruments can be sold on a secondary market.

We also believe the Board should reconsider part (a) of the tentative definition which would include a non-issuer introducing broker dealer qualifying for the exemption from Securities Exchange Act Rule 15c3-3 that files with the SEC both a statement of financial condition and a complete set of financial statements – the statement of financial condition is made publicly available, while the financial statements are confidential and not available to the public. Leaving non-issuer introducing broker dealers out of the definition of "public business entity" would still allow the Board to make certain standards applicable to both "public business entities" and to non-issuer introducing broker dealers if it chose to do so.

In addition, the definition of "restricted securities" needs to be clarified, as discussed in our response to Question 3.

Question 3: Do you agree that a business entity that has securities that are unrestricted and that is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement should be considered a public business entity? Please explain why. Can you identify a situation in which an entity would meet this criterion but would not meet any of the other criteria identified in the definition of a public business entity? In addition to what is discussed in paragraph BC18 of this proposed Update, do you think further clarification is needed to determine what an unrestricted security is?

Response: The term "unrestricted securities" should be defined in order to address specific issues related to online trading sites and the JOBS act. In a Fact Sheet presented at a July 10, 2013 open meeting, the SEC asserted that securities issued pursuant to the JOBS Act should be limited to accredited investors, as defined. The definition offered by the Board does not provide any guidance whether these securities are restricted or unrestricted.

Question 4: Do you agree that no public or nonpublic distinction should be made between NFPs for financial reporting purposes? Instead, the Board would consider whether all, none, or only some NFPs should be permitted to apply accounting and reporting alternatives within U.S. GAAP. Please explain why.

Response: In general, not-for-profit entities (NPOs) should be permitted to apply accounting and reporting alternatives for the same reasons private companies are being permitted. However, NPOs should be excluded from accounting and reporting alternatives only on an exception basis.

Question 5: Should the Board consider whether to undertake a second phase of the project at a later stage to examine whether to amend existing U.S. GAAP with a new definition resulting from this proposed Update? In that second phase of the project, the Board would consider whether to (a) preserve the original scope of guidance in the Accounting Standards Codification or (b) change the scope of guidance in the Accounting Standards Codification to align with the new definition. Please explain why.

Response: As noted in our response to Question 2, we support the definition of a "public business entity," provided the definition is clearly labeled to be used in determining the scope of PCC guidance. We recommend that the Board begin a project that will provide a single definition of a public company applicable to all guidance.