



September 18, 2013

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

File Reference No. 2013-310

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 or Board) on the Exposure Draft, *Definition of a Public Business Entity*, issued on August 7, 2013 (Proposed Update).

The IMA is a global association representing more than 65,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. 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.

We support a development of a single definition of a public business entity that would be used by the FASB, the Private Company Council (PCC), and the Emerging Issues Task Force in specifying the scope of future accounting and reporting guidance and would identify the types of business entities that would be excluded from the scope of the *Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies* (Guide). While we acknowledge that the proposed single definition of a public business entity would eliminate the inconsistency of having multiple definitions of a nonpublic entity and public entity within US GAAP, we are concerned that the proposed definition is broad, complex and would be difficult to apply.

We recommend that the Board reconsider the Proposed Update and issue single, straightforward definitions for a public business entity and a nonpublic business entity that would be incorporated into existing accounting standards and would be used consistently in future standard-setting activity. The definition of a public business entity should be simplified and limited to business entities that have obligations to file or provide financial statements for the purpose of selling any securities in a public market. All other entities should be considered nonpublic business entities. We agree with the scope exception for not-for-profit entities and employee benefit plans.

If the Board decides to continue with the current proposal, we have the following questions that should be answered before finalizing the definition.



1. How is the proposed definition going to be applied to financial institutions? More specifically, many financial institutions have a legal or regulatory requirement to file financial information with a regulator (not necessarily at the federal level). This financial information might be publicly available upon its submission, upon request from the users of financial statements or via posting on the institution’s website. Would application of criterion e. in the definition in the Proposed Update to financial institutions result in **all** financial institutions being considered public business entities and automatically excluded from the accounting and financial reporting alternatives provided by PCC and the Board for nonpublic business entities?

2. What is the Board’s basis for concluding that all entities whose financial statements or financial information are required to be or are included in a filing with the SEC are public business entities? Considering these entities public business entities would be inconsistent with the SEC Rules and Regulations that generally allow for these entities to be considered private entities for the purposes of including their financial statements in the SEC filing under Articles 3-05, 3-09, 3-14 and 3-16 of Regulation S-X. Additionally, the Proposed Update would make privately owned broker dealers which do not sell securities public business entities.

3. What does the Board mean by “publicly available” and “legal or regulatory requirement”? Would information filed with any regulatory agency, such as the Environment Protection Agency, or information that might be retrievable under the Freedom of Information Act, meet the “publicly available” criterion? Is a requirement in a bank loan agreement to post financial statements on a company’s website a “legal requirement” causing an entity to be a public business entity? What if that information is less than a full set of financial statements, how would the requirement in criterion a. of the definition affect the conclusion?

We would be pleased to discuss our comments with the Board or the FASB staff at your convenience.

Sincerely,

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