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Re: File Reference No. 2013-310

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on proposed Accounting Standards Update (ASU), *Definition of a Public Business Entity, An Amendment to the Master Glossary*.

We agree with the decision to consider including in the Master Glossary one definition of a public business entity, particularly because of the almost immediate benefit for new guidance being developed by the Private Company Council (PCC). We have some concerns about whether or when the Board might conduct the second phase and review existing U.S. GAAP with the objective amending to reflect the definition resulting from this proposed Update. Our preference would be for the Board to undertake the second phase in the relatively near term, or at least establish a time-line for its execution. We further believe, as noted in our answer to Question 3, that “unrestricted security” should be better described and defined.

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

We agree. We believe the exclusion of not-for-profit entities and employee benefit plans is appropriate.

We believe clarification is warranted with regard to financial institutions in light of the definition’s criterion c. *“It is required to file of furnish financial statements with a regulatory agency in preparation for the sale of securities or for the purposes of issuing securities.”* We believe a financial institution could be uncertain as to its inclusion in or exclusion from the definition, and banking regulations may impact any assessment. We read the Basis for Conclusions to indicate that a financial institution would determine whether it is a public business entity in the same manner as a non-financial institution entity. However, a question is when would the determination be made? That is, one view is that banks automatically would be considered public because if they were to decide to issue securities, they would require regulatory approval. Alternatively, would an existing bank reconsider past offerings and retrospectively determine



there was regulatory approval involved, therefore criterion c. is applicable. We also note that many financial institutions might conclude they meet criterion e. regarding making financial statements publicly available, thus our comments regarding unrestricted securities under Question 3, below, are relevant for these entities in particular.

We believe clarity should be added with regard to registered broker dealers and registered investment advisors that file or furnish financial statements with the SEC. That is, whether the Board intends those entities to be considered public.

We also believe that criterion d. (securities that are or can be traded in a market) should be clarified to directly address alternative markets, such as Pink Sheets LLC. We note that the term “Pink Sheets” is used in a number of ASC Topics and for the avoidance of doubt, we strongly recommend clarity in the proposed definition as to the intended inclusion or exclusion of this market, and perhaps others.

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?

We agree. Our agreement is based in part on the concept that financial statements intended to be released to the public at large differ significantly from those intended to be released to a limited, and perhaps controlled, number of parties, even if the number of recipients is relatively large. Further, if there exists a legal or regulatory requirement for public availability, presumably the underlying reason is based on a determined need for the public at large to have access.

We believe explicit clarification of what is an “unrestricted security” should be provided in the proposed definition. We note that paragraphs BC15 and BC18 add context for the direction being taken, and we are concerned that it is not sufficiently clear what types of restrictions the Board intends to distinguish unrestricted from restricted. The proposed definition does not include clarification and we recommend addressing restrictions that would be relevant in the determination of a security being restricted or unrestricted.

Both what is an “unrestricted security” and what is a “market” could be an issue for certain entities. An entity with securities traded through Pink Sheets LLC might conclude GAAP does not intend this to be a market, and further, the entity’s making financial statements available is voluntary and not pursuant to any legal or regulatory requirement. We believe the entity would be considering criteria d. and e. in tandem. Absent further clarification of what is included in a “market” as we noted in our answer to Question 2 above, that entity might have difficulty discerning whether it meets criterion d. “*over-the-counter market*,” or e. “*made publicly available*.” The words “*made publicly available*” will be at top of mind; however, whether making financial statements available through Pink Sheets LLC meets the criterion e. requirement of “*pursuant to a legal or regulatory requirement*” would remain unclear to some. Again, we would encourage clarity with regard to this type of market.



We observe that many NFPs are required to file their financial statements with state regulators and those filings generally are publicly available. The exclusion of NFPs from the proposed definition would provide a U.S. GAAP basis for their not being subject to this criterion; however, the question might arise as to whether NFP financial statements available to the public via a regulator conflicts with that exception. Please consider clarifying this matter.

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.

We agree with the first sentence. As well articulated in the Basis for Conclusions, NFPs and their financial statement users are unique in nature.

A foreseeable issue exists with the Board singling-out NFPs as each accounting and reporting alternative is drafted and released. We believe this will add complexity to NFP accounting and reporting and we would rather see a clear determination as to whether NFPs would be permitted to apply the alternatives. For example, the current PCC proposal on goodwill would allow amortization as an alternative. We have been unable to envision a circumstance wherein one NFP, for example, a college, potentially should face different accounting than another, for example, a community foundation.

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.

We believe the second phase should be undertaken. As long as the extant definitions remain in U.S. GAAP, in effect the proposed Public Business Entity definition could simply be viewed as yet one more definition. We recommend that the Board establish a proposed timeframe for conducting and concluding the second phase.

We would be pleased to discuss our comments with you. If you have any questions, please contact Douglas J. Reynolds, Partner, Accounting Principles Group, at 617.848.4877 or doug.reynolds@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP