



September 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 - 300: Proposed Accounting Standards Update, *Presentation of Financial Statements - Disclosure of Uncertainties about an Entity's Going Concern Presumption (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 the going concern presumption. 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.

General Comments

The committee understands that the overall objective of the proposal is to provide management with guidance regarding its responsibility to evaluate and disclose going concern uncertainties and improve the consistency of the financial statement disclosures. The committee agrees that management is responsible for making the going concern assessment. The committee believes that the outcome of this assessment is implied by management's choice to not apply the liquidation basis of accounting. The committee also generally agrees with the definition of the going concern presumption as the "inherent presumption that the entity will continue to operate such that it will be able to realize its assets and meet its obligations within the ordinary course of business."

However, the committee believes that the implementation of any framework for assessing going concern would provide a specific roadmap for investors and attorneys looking to sue management, boards of directors, audit committees, and auditors for not properly seeing into the future. The committee notes that the inclusion of a going concern framework in U.S. GAAP, combined with an audit opinion, would, in effect, require auditors to offer solvency opinions, which is expressly prohibited by the AICPA Code of Professional Conduct – AT Section 9101.23–.33.



Instead, the committee believes that the objectives of the proposal can be met by focusing on improving the disclosures related to business risks and uncertainties and disassociating these enhanced disclosures from the underlying concept of the going concern premise.

Specific Comments

Proposed more-likely-than-not threshold –The committee agrees with the proposed more-likely-than-not threshold for enhancing disclosures about the company’s ability to meet its obligations within a 12-month period seems consistent with FASB 5, Accounting for Contingencies. The definition of management’s plans that are outside of the ordinary course of business seems reasonable.

Twenty-four month threshold - The committee believes that the 24-month threshold for assessing the likelihood of a company’s inability to meet its obligations as they become due is inoperable. Under normal business conditions, management might not be in a position to assess whether it is probable that they will or will not be able to meet the entity’s obligations within a 24-month window. The future business environment is not predictable. An entity’s ability to obtain financing could change, or an entity’s business model could be rendered obsolete. Financial statements should not be relied upon to provide a picture of an entity’s on-going solvency for an extended period of time. In lieu of the 24-month threshold, the committee supports enhanced disclosures to improve transparency. For example, applying the 24-month threshold to a company with certain debt structures, such as debt with a balloon payment due in 18 months, would result in the company having to address their financing arrangements sooner than is currently done in practice. This assessment may not be feasible if the lender is not ready to provide any firm commitments. However, the company could be required to comment in general terms on the sustainability of their financing structure without providing a clear plan or guarantee for long-term viability.

Substantial doubt analysis – For reasons previously outlined, the committee does not support the requirement for management to perform a substantial doubt analysis.

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