

FASB PCC 13-02 Consolidation

Date of Entry: 9/13/2013

Respondent information

Type of entity or individual:

Contact information:

Organization: Milbern Ray & Company

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Questions and responses

1a. Please indicate whether you primarily are a preparer, user, public accountant or, if other, please specify.

public accountant

1b. If you are a preparer of financial statements, please indicate whether your entity is 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).

n/a

1c. 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.

There are 2 partners, and the firm focuses primarily on private entities.

1d. 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.

n/a

2. Do you agree that the accounting alternative in the proposed Update should apply to all entities except public business entities, not-for-profit entities, or employee benefit plans within the scope of Topics 960 through 965 on plan accounting? If not, what type of entities should not be included in the scope of this accounting alternative?

I agree.

3. Do you agree that the proposed Update does not apply to public business entities and employee benefit plans because they lack the arrangements that the accounting alternative addresses? If not, please describe the arrangements that exist for those types of entities that the Board should consider in determining whether any public business entities or employee benefit plans should be included in the scope of the proposed accounting alternative.

4. Do you agree with the required criteria for applying the proposed accounting alternative? If not, please explain why.

I agree.

5. Do you agree that paragraph 810-10-55-9, which describes the effects of guarantees and joint and several liability arrangements related to a mortgage on the lessor's assets, provides sufficient guidance to clarify what constitutes a supporting leasing activity for applying paragraph 810-10-15-17A(c)? If not, please explain why.

I agree

6. Do you agree that the following additional disclosures about lessor entities should be provided if a private company elects the proposed accounting alternative? If not, please explain why.
a. The key terms of the leasing arrangements. b. The amount of debt and/or significant liabilities of the lessor entity under common control. c. The key terms of existing debt agreements of the lessor entity under common control (for example, amount of debt, interest rate, maturity, pledged collateral, and guarantees). d. The key terms of any other explicit interest related to the lessor entity under common control.
Should other disclosures be required as a result of applying this alternative?

I agree with items b-d. I think item a duplicates disclosures already required.

7. Do you agree that, generally, the primary purpose of establishing a separate lessor entity is for tax and estate planning purposes and not to structure off-balance-sheet debt arrangements? If not, please explain why.

I agree.

8. Would the proposed accounting alternative, including the required disclosures, address private company stakeholder concerns about relevance of consolidated information without causing a proliferation of the use of lessor entities to avoid reporting assets and liabilities for which the reporting entity is responsible? If not, why?

I agree.

9. Do you agree that the proposed accounting alternative, when elected, is an accounting policy election that should be applied by an entity to all current and future lessor entities under common control that meet the criteria for applying this approach?

I disagree. The reason private companies normally prepare GAAP financial statements is to meet the requirements of an external user, often a bank. Usually this is the same bank that has the mortgage on the leased property. However, it is possible that might not be the case - or that the bank might have the mortgage on one leased building but not the other. Private companies should have the flexibility to give the bank (or other financial statement user) information that is most meaningful for those users, as long as the accounting policy is appropriately disclosed.

10. Do you agree that the proposed accounting alternative should be applied using a full retrospective approach in which financial statements for each individual prior period presented and the opening balances of the earliest period presented would be adjusted to reflect the period-specific effects of applying the proposed amendments?

I agree.

11. When should the alternative accounting method be effective? Should early application be permitted?

The alternative accounting method should be effective when the standard is issued. If there is a delayed effective date, early application should be permitted.

12. Do you agree that the example that is codified in paragraphs 810-10-55-87 through 55-89 (described in paragraphs BC19 through BC20 of this proposed Update) should be removed? Do you agree that the removal of the example would not significantly affect public business entity stakeholders? If not, please explain why.

13. The PCC considered two other alternatives (as described in paragraphs BC15 through BC18 of this proposed Update) to clarify the application of VIE guidance to common control leasing arrangements.
a. Would either of those alternatives better address the concerns raised by private company stakeholders?
b. Should the PCC and the Board consider either of those alternatives in conjunction with the guidance in this proposed Update to better address the concerns raised by private company stakeholders?

I think the proposed standard is better than the alternatives.

Update comments. Please provide any additional comments on the proposed Update:

There were a couple of relatively-minor items I disagreed with. Overall, this is a very good standard.

EFF comments. Please provide any comments on the electronic feedback process:
