



September 27, 2013

Technical Director
Financial Accounting Standards Board

By e-mail to director@fasb.org

Re: File Reference No. 2013-300, *Disclosure of Uncertainties about an Entity's Going Concern Presumption*

To the Board:

We appreciate the opportunity to comment on the Board's exposure draft (ED) of its proposed Accounting Standards Update entitled *Disclosure of Uncertainties about an Entity's Going Concern Presumption* (File Reference No. 2013-300).

We support the introduction of a disclosure standard relative to uncertainties about the going concern presumption into the body of accounting standards in the U.S. In view of the requirements common to our auditing standards for auditors to assess the adequacy of management's disclosures about going concern uncertainties without the benefit of a disclosure standard against which to measure such adequacy, we have long recognized that the absence of such a standard was significant, most particularly during the period of economic downturn we experienced over the last five years. Nevertheless, we have three principal concerns with the ED that are summarized in APPENDIX 1 in the attachment to this letter and further discussed in considerable detail, among others, in APPENDIX 2 in the attachment to this letter in some of our responses to the 19 questions presented in the ED by the Board to respondents.

Thank you for this opportunity to comment. We hope the Board finds our comments useful in its deliberations on this matter. If there are any questions about these comments, please contact the undersigned at hlevy@pbt.com or 702/384-1120.

Very truly yours,

Piercy Bowler Taylor & Kern, Certified Public Accountants



Howard B. Levy, Principal and
Director, Technical Services

Attachment

APPENDIX 1 – Principal Concerns and Reservations

As stated in the main body of this letter, we have three principal concerns with the ED, which are summarized below and are further discussed, among others, in considerable detail in Appendix 2 of this attachment within some of our responses to the 19 questions presented by the Board for comment. In short, we believe that:

1. The Board's proposed definition of the term *going concern presumption* to be too narrow in that it would effectively equate an entity's ability, in the "ordinary course of business," to realize its assets and meet its financial obligations when they are due with its ability to continue its operations as a going concern, thus confusing the accounting concept of a going concern presumption with the legal concept of solvency. We believe that, in addition to a gap left open in the proposed disclosure, this can cause any conclusion on going concern by management or its auditors to be misinterpreted as a conclusion or opinion on solvency and, therefore, have serious legal implications.
2. The proposed disclosure requirements should be limited to the conditions that give rise to going concern uncertainties and information that would enable users to make their own assessments of both the severity of the uncertainties and the quality and probability of success of management's plans to overcome them but should not contain a requirement for an expression of substantial doubt that would or could be attributed to management since such an expression by management would likely (a) expose management to liability for continuing to expend corporate resources in such circumstances in what would appear to be illogical and futile attempts at survival, and (2) could work to the disadvantage of controlling owners' in a bankruptcy proceeding. Such risks would likely result in an overwhelming management bias against making such disclosure, most likely strongly supported by legal counsel.
3. The Board's proposal for a two-step disclosure threshold utilizing dubious, "bright line" dividers based on vague, imprecise terms such as "ordinary course of business," and presenting an obligation for some to predict with relative precision whether an uncertain event will likely occur in less than 12 months or up to 24 months from the balance sheet date, may, at best, be useful as guidance but completely unworkable as a rigid standard and of little or no benefit to users. This is, at least in part because of competing inherent biases among management, legal counsel and auditors (which we believe would have the additional adverse effect of reducing the timeliness of financial reporting). On the contrary, we believe the prescribed forward-looking period should be determined by management (subject, of course, to the concurrence of auditors, if any, not only as to the conclusion and the adequacy of the disclosure but also as to the appropriateness of the period selected) based on facts and circumstances and assessed at the date through which subsequent events must be evaluated for recognition or disclosure in the financial statements, rather than the balance sheet date, and it should be expressed in terms of a minimum (*i.e.*, "not less than") of, say, 12 months rather than a maximum (*i.e.*, "not to exceed") the entity's normal or established business reporting cycle (most typically 12 months), so management is not given the opportunity to hide behind a "bright line" limit and thus be able to mislead users by saying nothing when the bottom may be reasonably expected to fall out.

APPENDIX 2 – Responses to Specific Questions Presented in the ED

Following are our responses to the 19 questions presented in the ED by the Board. We regret that the nature and content of the questions compel considerable redundancy, which we have attempted to minimize with the use of cross-referencing among our responses.

Q1: *The proposed amendments would define going concern presumption as the inherent presumption in preparing financial statements under U.S. GAAP that an entity will continue to operate such that it will be able to realize its assets and meet its obligations in the ordinary course of business. Do you agree with this definition? If not, what definition should be used and why?*

No. As summarized in numbered paragraph 1 of **APPENDIX 1**, the proposed definition of the term going concern presumption is too narrow in that it is inappropriately limited to refer only to an entity's ability to realize its assets and meet its financial obligations when they are due and further limited inappropriately with the ill-defined expression "*in the ordinary course of business.*" We believe these limitations collectively are, in fact, an inherently flawed implication in the proposed definition since it fails to encompass any other possible cause of an entity's inability to continue its operations as a going concern that would cause liquidation to become imminent and, thus, require a switch to liquidation basis accounting). A direct result of these limitations in the proposed definition are the equally inappropriate limitations we see in the focus of the proposed disclosure requirements. For example, the flawed definition implies that a company operating as a debtor-in-possession in a bankruptcy proceeding would not be operating in the *ordinary course of business*, even though debtors commonly choose to file for bankruptcy protection for any one or more of a variety of reasons, not just an inability meet their obligations. In fact, many debtors-in-possession ultimately satisfy all of their obligations in full without liquidation.

Our view is grounded in the provisions of ASC Subtopic 205-30 (which are acknowledged in proposed Subtopic 205-40-05-2) that the going concern presumption becomes inapplicable whenever an entity is required to adopt the liquidation basis of accounting. It is clear in Subtopic 205-30 that the imminence of liquidation frequently occurs in circumstances other than the potential inability to meet obligations timely. It may be a result of either the imposition of external forces on the entity,¹ such as an involuntary bankruptcy, or voluntarily at the discretion of its management or governing body.² Such a voluntary decision by an entity's management or governing body to liquidate may be (and often is) attributable to factors unrelated to the entity's likely inability to realize its assets and/or meet its obligations when they come due in the "ordinary course of business," such as a diminishing market demand for the entity's product(s), for example, due to technological obsolescence.

We believe that the limitation relative to realization of assets and meeting financial obligations when due is tantamount to inappropriately equating the going concern presumption to the legal notion of solvency, a determination that should be made only by a court, the possible implications of which are further discussed in our response to **Q8**, below.

Moreover, as provided historically in our auditing literature, when an entity's management is reasonably assured of successfully mitigating a going concern uncertainty (without regard to whether mitigation is to be achieved through extraordinary activities), the required disclosures should, in our opinion, continue to include both the cause(s) of the uncertainty and the mitigating factors³.

Based on the foregoing, we firmly believe that the definition of *going concern presumption* should more broadly focus on the entity's ability to continue operating as a going concern without reference to the so-called "ordinary course of business" or other limitation.

¹ Subtopic 205-30-25-2b.

² Subtopic 205-30-25-2a.

³ PCAOB's Interim Auditing Standards AU Sec. 341.11 and AICPA's AU-C Secs. 570.13 and 570.A4.

APPENDIX 2 – Responses to Specific Questions Presented in the ED

Q2: *Currently, auditors are responsible under the auditing standards for assessing going concern uncertainties and for assessing the adequacy of related disclosures. However, there is no guidance in U.S. GAAP for preparers as it relates to management’s responsibilities. Should management be responsible for assessing and providing footnote disclosures about going concern uncertainties? If so, do you agree that guidance should be provided in U.S. GAAP about the timing, nature and extent of footnote disclosures about going concern uncertainties for SEC registrants and other entities? Why or why not?*

Yes, we agree without qualification that, consistent with all other matters of disclosure relative to the financial statements, management should be responsible for assessing and providing note disclosures about going concern uncertainties and that guidance should be provided in U.S. GAAP about the timing, nature and extent of such disclosures for all financial statement issuers whether SEC registrants or not. However, as summarized in numbered paragraph 2 of **APPENDIX 1** and in further detail in our responses below to **Q4** and **Q8**, we believe required financial statement disclosures should be limited to the conditions that gave rise to going concern uncertainties and information that would enable users to make their own assessments of both the severity of the uncertainties and any likely adverse consequences and the quality and probability of success of management’s plans to overcome them but that the final standard should not contain a requirement for the expression of substantial doubt or any other conclusion about the likelihood of continuing its operations as a going concern (or more narrowly, meeting its obligations when due) that would or could be attributed to management. Such an expression, if required or made voluntarily should clearly be attributable to others outside of management. (See also our response to **Q12**.)

Q3: *Would the proposed amendments reduce diversity in the timing nature, and extent of footnote disclosures and provide relevant information to financial statement users? If so, would the proposed disclosures for SEC registrants provide users with incremental benefits relative to the information currently provided under other sections of U.S. GAAP and under the SEC’s disclosure requirements?*

No. Because we believe each reporting entity is different and that any evaluation of going concern uncertainty is inherently complex and variable based on individual judgments and relevant facts and circumstances, we believe substantial diversity is justified and desirable and conversely, that attempts to reduce diversity would necessarily be arbitrary, oversimplified and counter to the public interests. Accordingly, we do not believe any such formula-driven, one-size-fits-all disclosure standard would be of any discernible benefit to financial statement users. We believe that the language provided in the ED, as currently drafted, that would purport to suggest that certain flexibility based on facts, circumstances and judgments is appropriate is inherently vague and not likely to afford any useful guidance either to issuers or users in such regard.

Q4: *The proposed amendments would require management to evaluate going concern uncertainties and additionally for SEC filers, to evaluate whether there is substantial doubt about the entity’s ability to continue as a going concern. An alternative view is that such evaluations should not be required because management would inherently be biased and, thus, the resulting disclosures would provide little incremental benefit to investors. Do you believe that an entity’s management has the objective to assess and provide disclosures of uncertainties about the entity’s ability to continue as a going concern? Why or why not? If not, please also explain how this assessment differs from other assessments that management is required to make in the preparation of an entity’s financial statements.*

Yes. Of course, we agree that management has the objective to assess and provide disclosures of uncertainties about the entity’s ability to continue as a going concern because such disclosure are consistent with management’s responsibilities to make all disclosures that are deemed necessary to make the financial statements not misleading. Our views contained in our responses to **Q9** and **Q12** are also responsive to this question.

APPENDIX 2 – Responses to Specific Questions Presented in the ED

Q5: *At each reporting period, including interim periods, the proposed amendments would require management to evaluate an entity's going concern uncertainties. Do you agree with the proposed frequency of the assessment? If not, how often should the assessment be performed?*

Yes. We understand the purpose of interim financial reporting is principally to update information provided in the most recent annual financial statements issued. The process of assessing the entity's ability to meet its obligations as they become due (or more broadly, and preferably, in our opinion, to continue its operations as a going concern), as described in proposed ASC Subtopic 205-20-50-1 through -4, is not so robust as likely to be impracticable or to slow down the interim reporting process. Accordingly, we believe the primary objective of interim reporting (*i.e.*, to update the last annual financial statement) to be best served if such an assessment is made at each annual and interim reporting period as proposed. We believe this is particularly important in the presence of going concern uncertainties.

Q6: *For SEC registrants, the proposed footnote disclosures would include aspects of reporting that overlap with certain SEC disclosures (including those related to risk factors and MD&A, among others). The Board believes that the proposed footnote disclosures would have a narrower focus on going concern uncertainties compared with the SEC's disclosure requirements. Do you agree? Why or why not? What differences, if any, will exist between the information provided in the proposed footnote disclosures and the disclosures required by the SEC? Is the redundancy that would result from this proposal appropriate? Why or why not?*

Yes. We agree that it is the role of the MD&A and other disclosures outside the financial statements that are mandated by the SEC to go deeper than the financial statement notes and provide investors with a management perspective on selected matters for as to which adequate evidence is not to be likely readily available as would be necessary to support an auditor's opinion. Disclosures commonly made about liquidity and capital resources, information about risk factors, critical estimates, and details of pending legal matters are examples of such enhanced disclosures. A certain amount of redundancy about such matters may be desirable to assure their readability without burdening readers with extensive tracing of cross-references and, therefore, in our view, should not be discouraged.

Q7: *For SEC registrants, would the proposed footnote disclosure requirements about going concern uncertainties have an effect on the timing, content, or communicative value of related disclosures about matter affecting and entity's going concern assessment in other parts of its public filings with the SEC (such as risk factors and MD&A)? Please explain.*

No. We believe that other disclosures required or commonly made by SEC registrants should be unaffected by the proposed standard except that that issuers and their auditors will need to be cautious to assure that all disclosures are consistent with one another and that matters disclosed elsewhere in public filings and other documents have been given adequate consideration in developing the going concern disclosures.

Q8: *The proposed footnote disclosures about going concern uncertainties would result in disclosure of some forward-looking information in the footnotes. What challenges or consequences, if any, including changes in legal liability for management and its auditors, do you anticipate entities may encounter in complying with the proposed disclosure guidance? Do you foresee any limitations on the type of information that preparers would disclose in the footnotes about going concern uncertainties? Would a higher threshold for disclosure address those concerns?*

We believe the final standard should be clear that it is not obligating the entity's management (or its auditors) to engage in any robust forecasting activities beyond what is ordinarily required by other GAAP

APPENDIX 2 – Responses to Specific Questions Presented in the ED

provisions, *e.g.*, as with regard to inventory valuation, asset impairment tests and other loss contingencies. It should also be clear that the standard merely requires management (a) to evaluate and consider the possible or probable effects indicated by the results of all such activities on the overall going concern presumption, and (b) to make appropriate disclosures in such regard.

On the other hand, although not related to what is typically characterized as “forward-looking information,” as summarized in numbered paragraph 1 of **APPENDIX 1** and discussed further in our response to **Q1**, above, we believe by requiring management to make statements in the entity’s financial statements that adversaries may readily misinterpret and claim are direct assertions on the legal question of solvency (or insolvency) could present serious, adverse legal consequences to the entities and their auditors (the latter of which might even risk being accused of practicing law).

Additionally, although it has unfortunately never been clearly articulated in any auditing (or any accounting) standard, it has always appeared that the use of the term *substantial doubt* solely in our auditing literature to date implies that the term refers solely to the auditor’s doubt, *i.e.*, a matter of auditor judgment rather than an evaluation of the judgments of others, since the auditor is charged by the operative auditing standard with a responsibility to make an independent, objective assessment. We believe it was clearly never intended to refer to a view of management.⁴

We believe that for management to express (or even to have) substantial doubt as to an entity’s ability to continue as a going concern would be inherently inconsistent with any significant expenditure of resources for actions taken to continue such operations rather than to opt for liquidation in the face of such a high level of doubt, which would therefore expose management to a significant risk of being accused of “throwing good money after bad” and incurring liability to those to whom it may reasonably expect to be held responsible for preserving the entity’s assets, *i.e.*, its nonmanagement equity owners or other stakeholders. Consequently, should the Board require management, under any circumstances, to make a declaration that is, or could be interpreted as, an expression of its own substantial doubt, especially in an area such as this where there is so much opportunity for varying subjective judgment, we would expect management to be highly biased and as a result, to resist making such a declaration and if not already so inclined, to receive considerable pressure to resist from the entity’s legal counsel. (See also our responses to **Q9** and **Q12**.)

Q9: *What challenges, if any, could auditors face if the proposed amendments are adopted?*

In contrast to the likely inherent bias of management and the entity’s legal counsel discussed above in our response to **Q8**, if the final standard were to retain the proposed requirement for SEC issuers to declare substantial doubt under prescribed circumstances, we would expect auditors to likewise develop an inherent bias in the opposite direction and consequently, to apply pressure to management to make more conservative, negative disclosures than may rightfully be warranted in the circumstances. (This would not be any more in the best interests of financial statement users than an overly optimistic bias on the part of management might be.) The probable auditors’ bias of which we speak would be a result of the auditor’s risk of being accused by regulators and litigants of lacking sufficient objectivity and failure to exercise sufficient professional skepticism, a risk that is likely to grow following the probable adoption of new reporting models currently being proposed by two auditing standard-setters, each of which would require enhanced transparency in audit reports about “critical audit areas”⁵ or “key audit matters”⁶ that required

⁴ Note that in its Background Information, Basis for Conclusions, and Alternative Views (particularly paragraphs BC20 and BC21), the Board cites research only with respect to the use of term *substantial doubt* by auditors, not by management.

⁵ PCAOB: Proposed Auditing Standard, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion* (Release No. 2013-005).

APPENDIX 2 – Responses to Specific Questions Presented in the ED

the exercise of the most auditor judgment. These conditions would increase the degree of tension between auditors and managements, place additional pressure on audit committees to act as objective referees in exercising diligent oversight, and would likely reduce the timeliness of financial reporting. And we do not see any compelling reason for the Board to propose an additional layer of disclosure requirements as to going concern uncertainties for SEC issuers as compared to nonissuers. If such should be the case, it should be left to the discretion and initiation of the SEC

Q10: *Do the expected benefits of the proposed amendments outweigh the incremental costs of applying them?*

Our objections to the proposed disclosures are set forth elsewhere throughout this response and are not based on, nor do they relate to, matters of cost except with regard to risks of exposure to liability discussed primarily in our response to Q8. We do not see direct incremental cost as a reason to object to the proposed disclosures or others that we would find considerably more acceptable than those proposed.

Q11: *Under the proposed amendments, disclosures would start at the more-likely-than-not or at the known or probable threshold as described in paragraph 205-40-50-3.*

- a. *Is the disclosure threshold appropriate? What are the challenges in assessing the likelihood of an entity's potential inability to meet its obligations for purposes of determining whether disclosures are necessary?*
- b. *Are there differences between assessing probability in the context of transactions and assessing probability in the context of the overall state of an entity that are meaningful to determining the appropriateness of a probability model for assessing substantial doubt?*
- c. *Do the proposed amendments adequately contemplate qualitative considerations? Why or why not?*
- d. *Do you believe that the guidance in paragraph 205-40-50-4 about information of how an entity should assess the likelihood of its potential inability to meet its obligations and the implementation guidance within the proposed amendments are helpful and appropriate? Why or why not?*
- e. *Are your views the same for SEC registrants and non-SEC registrants?*

As summarized in numbered paragraph 1 of **APPENDIX 1**, we believe the focus should be more broadly on the entity continuing its operations as a going concern, rather than merely realizing assets and settling obligations when due. Further limiting consideration to activities deemed as in the ordinary course of business ignores what management typically does based on the vague guidance provided in the ED only adds unnecessary complexity and the potential for inconsistencies (*i.e.*, unwarranted diversity) in practice to modern financial reporting.

While the term *more likely than not* has generally come to be understood to mean with a greater than a 50% probability, who can say where the line is or should be drawn between that and *probable* (as that term was originally introduced in Statement of Financial Accounting Standards No. 5)? Therefore, we believe the proliferation of bright lines of distinction based on such vague, ill-defined terms only invites second guessing of issuers and their auditors.

We believe that the needs of financial statement users particularly regarding going concern uncertainties of both SEC registrants and other issuers to be equally significant, if not qualitatively identical, such that no differences in disclosure requirements are warranted.

See our responses to **Q8** and **Q12** regarding *substantial doubt*.

Q12: *The proposed amendments would require an entity to assess its potential inability to meet its obligations as they become due for a period of 24 months after the financial statement date. Is this*

⁶ IAASB: Exposure Draft, *Reporting on Audited Financial Statements*.

APPENDIX 2 – Responses to Specific Questions Presented in the ED

consideration period appropriate? Is it appropriate to distinguish the first 12 months from the second 12 months as proposed in the amendments? Why or why not?

As summarized in numbered paragraph 3 of **APPENDIX 1**, we see the Board’s proposal for a two-step disclosure threshold utilizing dubious, “bright line” dividers based on vague, imprecise terms and a prediction of whether an uncertain event will likely occur less than 12 months or up to 24 months in the future, useful as guidance but completely unworkable as a rigid standard.

Our auditing standards relative to estimates focus primarily on quantitative measurement values embodied in the financial statements and even those recognize that certain estimates are inherently imprecise such that a reliable point estimate cannot be made.⁷ There is no audit guidance now in place or likely to be developed any time soon that would enable an auditor to be comfortable with such a precise qualitative and highly subjective estimate by management of when the company will likely cease to be able to continue as a going concern (or rather when it will be unable to pay its obligations timely) as this proposed standard would seem to require. And given a reasonable appreciation of the inherent imprecision of such an estimate, it is doubtful that there could be any user benefit to be had from making them. Accordingly, we recommend the final standard dispense with the proposed two-step disclosure threshold and adopt a more simplified requirement such as is presented in International Financial Reporting Standards (IAS) No. 1, paragraph 25.

IAS 1.25 is extremely brief and simple (somewhat simpler, perhaps, than we believe appropriate for a U.S. standard but in several respects better, in our opinion, than the current FASB proposal for the U.S.). In distinguishing its current proposal from the international standard, the Board emphasizes that IAS 1 utilizes only a single threshold, but the Board does not mention that IAS 1 does imply (as this proposal does) that an entity’s inability to continue as a going concern is the equivalent of insolvency.

Most importantly, in our view, although that IAS 1’s use of the term *significant doubt* (instead of *substantial doubt*) is not particularly important, in and of itself, the Board only hints, quite subtly, that in IAS 1, the use of the term is, however, limited to its requirement to disclose “material uncertainties related to events or conditions that *may* cast significant doubt upon the entity’s ability to continue as a going concern [*emphasis added*]” as opposed to the FASB proposal (for SEC registrants) that would require disclosure of whether “*there is* substantial doubt [*emphasis added*].” As summarized in numbered paragraph 2 of **APPENDIX 1**, we think this distinction is significant when the assertion is placed in the voice of management (*i.e.*, in the financial statement notes) because an unequivocal affirmative statement like that by management about substantial doubt as is proposed would clearly imply a conclusion of management, whereas the IAS 1 use of the word “may” would clearly (and more appropriately) imply a judgment that others might make under the circumstances. Accordingly, for these reasons and those contained in our response to **Q8**, if the term *substantial doubt* is to be used, we very much favor the international approach over that proposed in the ED.

If, on the other hand, the Board intended for the proposed expression, “*there is substantial doubt*,” to be understood to refer to views other than management’s, (a) that is certainly not clear in the ED, and (b) we have serious doubts that management and/or the entity’s auditors would likely be in a position in most circumstances to make a meaningful assessment of the views of others to enable such a positive affirmation that could be adequately supported with credible evidence within the normal time constraints of modern financial reporting.

Lastly, no matter what forward-looking period the Board ultimately settles on for management’s evaluation and disclosure of going concern uncertainties, many believe, as we do, that it would most likely be more useful and meaningful if measured from the date through which subsequent events must be evaluated for recognition or disclosure in the financial statements, pursuant to Subtopics 855-10-25A or -

⁷ PCAOB: AS 15.13 and AICPA: AU-C 540.A122.

APPENDIX 2 – Responses to Specific Questions Presented in the ED

25-2 and -50-1b, rather than from the balance sheet date. Moreover, we believe the prescribed look-forward evaluation period, especially for an accounting as opposed to an auditing standard, should be expressed in the final standard as a minimum (*i.e.*, “not less than”), say 12 months, rather than a maximum (*i.e.*, “not to exceed”), but, in actuality, it should be for an appropriate period to be determined based on facts and circumstances. We do not believe the standard should give management the opportunity to hide behind a limit and be able to say nothing when, given information available at the time the financial statements are issued, the bottom may reasonably be expected to fall out in, say, 12.5 months, for example, when under its terms, debt is about to become due or because of a default probable of occurring at that time.

Q13: *Under the proposed amendments, management would be required to distinguish between the mitigating effect of management’s plans in and outside the ordinary course of business when evaluating the need for disclosures. Is this distinction relevant to determining if and when disclosures should be made? If so, explain how management’s plans should be considered when defining the two different disclosure thresholds.*

No, We do not see this distinction as particularly useful or relevant. We believe our responses to **Q1** and **Q11**, above, adequately address this question as well.

Q14: *Do you agree with the definition of management’s plans that are outside the ordinary course of business as outlined in paragraph 205-40-50-5 and the related implementation guidance?*

No. We do not see that proposed Subtopic 205-40-50-5 provides, nor that it is possible to provide, a sufficiently universal and effective, clear “bright line” delineating customary, ongoing business activities from those outside of its ordinary course for this purpose. This conclusion is reinforced in Subtopic 205-40-50-6, which describes the matter as “an entity-specific determination,” which we find quite unclear and virtually impossible to interpret with confidence. Accordingly, we believe this attempt at distinction, and the exclusion provided in the last sentence of Subtopic 205-40-50-5, should be abandoned as impractical and of no potential benefit to users.

Q15: *Do you agree with the nature and extent of disclosures outlined in paragraph 205-40-50-7? Should other disclosure principles be included?*

Yes. We agree substantially with the disclosures proposed in Subtopic 205-40-50-7, except for the limitations in subparagraphs a. and e. relative to the entity’s potential inability to “*meet its obligations*” as opposed to the broader “*continue its operations as a going concern*,” as we have stated above in our response to **Q1**, above. Moreover, We would want it clear in the final standard that the description of management’s evaluation of significance that would be required by subparagraph c. should be highly qualitative and less than conclusive, as we stated in the last sentence of our response to **Q2**, above.

Q16: *The proposed amendments define substantial doubt as existing when information about existing conditions and events, after considering the mitigating effect of management’s plans (including those outside the ordinary course of business), indicates that it is known or probable that an entity will be unable to meet its obligations within a period of 24 months after the financial statement date. Do you agree with this likelihood-based definition for substantial doubt? Do you agree with the 24-month consideration period? Why or why not? Do you anticipate any challenges with this assessment? If so, what are those challenges?*

We are unable to further address this complex question after considering our various prior responses, above..

APPENDIX 2 – Responses to Specific Questions Presented in the ED

Q17: *Do you agree that an SEC filer's management in addition to disclosing going concern uncertainties should be required to evaluate and determine whether there is substantial doubt about an entity's ability to continue as a going concern (going concern presumption) and, if there is substantial doubt, disclose that determination in the footnotes?*

We believe the foregoing responses contain all our views relative to this question.

Q18: *Do you agree with the Board's decision not to require an entity that is not an SEC filer to evaluate or disclose when there is substantial doubt about its going concern presumption? If not explain how users of non-SEC filers' financial statement would benefit from a requirement for management to evaluate and disclose substantial doubt.*

As we have stated in the foregoing responses, we are not in favor of any difference in the disclosure requirements applicable to SEC registrants and others with regard to going concern uncertainties nor are we in favor of any expression by any financial statement issuer of substantial doubt. If any expression of substantial doubt were to be required or made voluntarily, we believe it should be clear that it is not a management view or conclusion but rather one that may be held by others.

Q19: *The Board notes in paragraph BC36 that its definition of substantial doubt most closely approximates the upper end of the range in the present interpretation of substantial doubt by auditors. Do you agree? Why or why not? Assuming it does represent the upper end of the range of current practice, how many fewer substantial doubt determinations would result from the proposed amendments? If the proposed amendments were finalized by the Board and similar changes were made to auditing standards would the occurrence of audit opinions with an emphasis-of-matter paragraph discussing going concern uncertainties likewise decrease and be different from what is currently observed? If so, by how much? Is such a decrease and improvement over current practice? Why or why not?*

We see no practical value in, or opportunity for, identifying a range implicit in the interpretation of *substantial doubt* by auditors in current practice, particularly in view of the absence of any authoritative or other widely available guidance to date. Otherwise, in light of our views expressed in the foregoing responses, we are unable to address this question.