



November 21, 2017

Susan M. Cospers, CPA
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: FASB September 20, 2017 Proposed Accounting Standards Update *Consolidation (Topic 812): Reorganization* [File Reference No. 2017-280]

Dear Ms. Cospers:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the Proposed Accounting Standards Update, *Consolidation (Topic 812): Reorganization* (ED) and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC believes this ED simplifies how users will apply the consolidation guidance going forward. Currently, ASC 810 is laden with variable interest entity guidance throughout and users that do not have to apply this guidance are forced to weed through the various "Variable Interest Entities Subsections" that appear throughout ASC 810. This ED creates a new topic, Topic 812, with subtopics for variable interest entities and for voting interest entities and will supersede the existing guidance in ASC 810. TIC believes this is a welcome change that will benefit practitioners and entities that apply the consolidation guidance.

TIC also has additional comments on the ED as outlined below.

SPECIFIC COMMENTS

Question 1: *Would the reorganization of Topic 810 into a new Topic 812 with separate Subtopics for VIEs (Subtopic 812-20) and voting interest entities (Subtopic 812-30) be easier to understand and navigate? If not, please explain what other approaches the Board should consider.*

As noted earlier, TIC believes the reorganization of Topic 810 into Topic 812 will improve financial reporting by laying out the consolidation guidance in an easier to apply manner and clarifying how certain items should be applied in practice.

Question 2: *Is the guidance for “Consolidation of Entities Controlled by Contract” applicable only for not-for-profit entities and, thus, should be within Topic 958? If not, please explain why.*

TIC agrees that the guidance for “Consolidation of Entities Controlled by Contract” would only be applicable for not-for-profit entities and it would be appropriate to include that guidance under Topic 958-812. Specifically, TIC believes including controlled by contract guidance under Topic 958-812 will provide additional clarity in determining if consolidation is needed between a not-for-profit organization and a physician practice entity controlled by contract, which will provide a more faithful representation of the consolidated financial results to those stakeholders. As commercial entities would apply the variable interest entity subtopic under Topic 812, TIC does not see commercial entities being impacted by the relocation of the controlled by contract guidance to Topic 958-812.

Question 3: *Is the consolidation guidance for research and development arrangements currently in Subtopic 810-30 not used in practice and, therefore, should be superseded? If not, please explain why or why and the types of transactions that may still be within the scope of that Subtopic.*

TIC is not aware of instances in practice where Subtopic 810-30 is used and we agree with the proposal to remove it.

Question 4: *Are there any areas or items in proposed Topic 812 that, as reorganized or clarified, are difficult to understand? If so, please describe the areas or items and explain why they are difficult to understand.*

TIC has not identified any areas or items that are difficult to understand or apply in proposed Topic 812.

Question 5: *Given that the Board does not anticipate changes to accounting for consolidation or changes in outcomes reached as a result of the amendments in this proposed Update, should transition guidance be provided? If so, please explain what changes in this proposed Update may cause changes in practice or outcomes.*

No, TIC does not believe transition guidance is needed. TIC believes the proposed update will provide clarity of certain items within Topic 812 and should not result in changes in practice. However, if reporting entities subsequently determine that an entity should or should not be consolidated, TIC believes there is sufficient guidance within the Codification to properly address it. For example, Topic 812 would address when an entity is initially consolidated or de-consolidated and Topic 250 would address any restatements relating to misapplication of GAAP. Therefore, TIC does not believe that additional transition guidance would be necessary.

Question 6: *Do you agree with the proposed transition requirements in paragraph 812-30-65-1? If not, what transition approach would be more appropriate?*

TIC agrees with the proposed transition requirements and does not see any difficulty in applying the proposed transition requirements.

Question 7: *Should a reporting entity be required to provide the transition disclosures specified in the amendments in this particular update? Should any other disclosures be required? If so, please explain why.*

TIC agrees that a reporting entity should be required to provide the transition disclosures contained in the proposed update. TIC is not aware of any additional disclosures that should be required.

Question 8: *Should the effective date be the same for both public business entities and entities other than public business entities?*

TIC believes that the effective date for the items proposed in this ED should be the same for both public and other than public business entities as it improves financial reporting by reorganizing and clarifying the consolidation topic. TIC believes the most significant amendments would come from the related proposed ASU on *Consolidation (Topic 810), Targeted Improvements to Related Party Guidance for Variable Interest Entities*, which we addressed in our comment letter to the Board dated August 4, 2017.

Question 9: *How much time would be needed to implement the proposed amendments? Should entities other than public business entities be provided with more time? If so, how much more time?*

TIC believes the proposed reorganization simplifies the consolidation topic and would not require too much time to implement. Depending on when a final ASU is issued, TIC would recommend it being effective for the first full year ending after the issuance of the final ASU. For example, if the final ASU is issued in March 2018, an effective date of years ending on or after December 15, 2019 should provide sufficient time for preparers to implement. TIC does not believe it is necessary to allow entities other than public business entities additional time to implement the proposed ASU due to it primarily reorganizing and clarifying current guidance.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Michael A. Westervelt". The signature is written in a cursive style with a large initial 'M' and 'W'.

Michael A. Westervelt, Chair
PCPS Technical Issues Committee
cc: PCPS Executive and Technical Issues Committees