

August 31, 2017

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: File Reference No. 2017-240, Consolidation (Topic 810)

To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

General

Question 1: Should all common control arrangements (that is, for both private companies and public business entities) be excluded from the scope of VIE guidance (as opposed to just an option for private companies as provided in the amendments in this proposed Update)? Please explain.

We do not feel that all common control arrangements should be excluded from the scope of VIE guidance. The current VIE guidance is needed for public companies.

Private Company Accounting Alternative

Question 2: Do you agree that a private company (reporting entity) should have an option to not apply VIE guidance to legal entities under common control if both the common control parent and the legal entity being evaluated for consolidation are not public business entities? If not, please explain why.

We agree that a private company (reporting entity) should have an option to not apply VIE guidance to legal entities under common control.

Question 3: Should the current accounting alternative for private company leasing arrangements under common control provided under Update 2014-07 be retained, or should it be replaced by the proposed broader private company alternative, assuming this proposed Update is finalized? Would the proposed accounting alternative continue to address the concerns of private companies currently applying the accounting

alternative for leasing arrangements under common control? If not, please explain why. Additionally, what existing leasing arrangements that are eligible to be accounted for using the current alternative, if any, would not be captured by the accounting alternative in the proposed amendments?

We believe the current accounting alternative for private company leasing arrangements under common control provided under Update 2014-07 should not be retained. We agree with the FASB's assumption that the scope exception under the proposal would supersede that in ASU 2014-07 because the proposed guidance on common-control relationships for private companies would encompass existing leasing arrangements that qualified for the previous scope exception.

Question 4: Do the proposed disclosure requirements in paragraphs 810-10- 50-2AG through 50-2AI adequately provide information about a reporting entity's involvement with and exposure to a legal entity? If not, please explain why. Also, please elaborate on any additional disclosures that you consider necessary to appropriately reflect a reporting entity's involvement with and exposure to a legal entity.

We believe current disclosures are adequate. While we agree with the exposure draft providing an option for the private companies to not consolidate, we feel that the disclosures as written may create similar complexities and difficulties for the private companies that the exposure draft is intending to relieve.

Decision-Making Fees

Question 5: Should indirect interests held through related parties that are under common control with a decision maker or service provider be considered on a proportionate basis, as opposed to being considered the equivalent of a direct interest in its entirety, when determining whether a decision-making fee is a variable interest in a VIE? If not, please explain why.

We agree with this proposed change related to determining whether a decision-making fee is a variable interest in a VIE.

VIE Related Party Guidance for Parties under Common Control

Question 6: Should a reporting entity be required to determine whether a controlling financial interest exists at the reporting entity level for situations in which power is shared among related parties or when related parties under common control, as a group, have a controlling financial interest but the parties individually do not? If not, please explain why. In doing so it is acknowledged that, in certain situations, it is possible that no reporting entity under common control will consolidate a VIE.

We support the provisions of amended paragraph 810-20- 25-44, which requires a reporting entity to determine, based on primarily a qualitative assessment of the facts and circumstances, whether it may be the primary beneficiary of a VIE in situations where power is shared among related parties, but no individual company appears to have such power. The flexibility provided in this paragraph should avoid the "forced consolidations" that might occur under the current standards. We do not believe that such "forced consolidations" necessarily provide better information for users of the financial statements.

Question 7: Are the factors in paragraph 810-10- 25-44A adequate for determining whether a reporting entity within a common control group may be the primary beneficiary of a VIE? If not, please explain why and describe what other factors you would recommend.

We believe the factors in paragraph 810-10- 25-44A are adequate.

Question 8: Does the “related party tie-breaker” test currently in GAAP (paragraph 810-10- 25-44) result in appropriate consolidation results? If yes, please explain why. Alternatively, would the proposed amendments cause unintended consequences or allow reporting entities to achieve a desired consolidation result that is inconsistent with the economics of a related party arrangement? If yes, please explain how.

We do not believe that the “related party tie-breaker” test currently in paragraph 810-10- 25-44 results in appropriate consolidation results as it may result in a “forced consolidation,” which we do not believe provides any better information for users of financial statements. Additionally, we believe the combination of qualitative and quantitative assessments should limit a reporting entity’s ability to achieve a desired consolidation result.

Transition and Effective Date

Question 9: Do you agree with the proposed transition requirements in paragraph 810-10-65-9? If not, what transition approach would be more appropriate?

We agree with the above-referenced requirements.

Question 10: Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.

We agree with the required disclosures including the need to not disclose the changes in net income and other financial statement line items per ASC 250-10- 50-1(b)(2).

Question 11: How much time is needed to implement the proposed amendment?

We do not believe preparers or auditors will need significant time to implement the standard.

Question 12: Should the proposed amendments be effective on the same date for both public business entities and entities other than public business entities?

We do not believe entities other than public business entities will need additional time to implement this standard and if such additional time is provided, we believe many entities other than public business entities will “early adopt” the standard as permitted.

Question 13: Should the effective date of the private company accounting alternative be consistent with the amendments in Accounting Standards Update No. 2016.03, Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance?

We do not see a need to tie the effective date of this improvement to financial reporting to the effective date of ASU No. 2016.03.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Sibley". The signature is written in a cursive style with a prominent loop at the end.

Ken Sibley, CPA
Chair, Professional Standards Committee