

Date: November 29, 2012

From:
Marc Pentacoff
76 E. Ellery
Flagstaff, AZ 86001
[\(520\) 850-1096](tel:5208501096)

To: director@fasb.org

Re: Discussion Paper – Disclosure Framework, File Reference No. 2012-220

Thank you for the opportunity to comment. As a daily Financial Statement user, I request that you follow through with two items under consideration. I address two questions.

First Question:

“Question 12: Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?”

Under the section “Cross References” (page 54), the discussion paper reads:

“5.12 Users have stated that references from financial statement line items to notes are very useful because they act as a partial table of contents for notes.”

The additional value provide by such a “partial table of contents” is desirable for the following reasons: (1) it allows a user of the financial statements to rapidly acquire the important information regarding a specific line item; (2) it forces acknowledgment of notes by superficial users, which could increase the use of the notes (thereby increasing efficiency within the capital markets); and, (3) the cost of implementation appears immaterial compared to the utility which would accrue to the financial statement user community. Bottom line: please implement this policy.

Second Question:

“Question 21: Should the summary of accounting policies include information about industry-specific accounting policies?”

Under the section “Possible Changes to the Summary of Accounting Policies” (page 66), the discussion paper reads:

“7.9 Although there is no decision question that indicates that industry-specific accounting policies would be useful, those policies are identified as an example in the current requirement as something that the summary should provide.”

Those policies are identified as examples because they represent low hanging fruit – that is, the requirement is obvious in its benefits and should be implemented. It will (1) provide a greater immediate context of understanding for beginning financial statement users; and (2) it will increase the usefulness of the disclosure for advanced financial statement users whom are unfamiliar with the particular accounting rules governing a specific industry.

Comments

Under the section “Possible Changes to the Summary of Accounting Policies” (page 66), the discussion paper reads:

“7.6 Moving accounting policies outside financial statements (for example, to a company’s website) may reduce the volume of the report, but the effectiveness of that could not be evaluated in the short term.”

If accounting policies are “boiler plate” – i.e., common, standard, and recurring – the policies ought to have a reference maintained by the company. Or, perhaps, the most common boiler plate policies could be maintained by FASB on its website (e.g., the typical explanation of the fair value hierarchy of financial instruments could, at least in part, be an outside reference hosted on FASB’s website). Such standard policy descriptions create additional report volume, although they ought to be referenced to in the disclosure. For instance, Note 1 could read as follows in the future:

“Note 1. Significant Accounting Policies

Fair Value of Financial Instruments. Please see <http://www.fasb.org/disclosures/2012/fair-value.html>

Please see Note 8 for the company’s fair-value measurements.

Goodwill. Please see <http://www.fasb.org/disclosures/2012/goodwill.html>

As of December 31, 2011 and 2010, the goodwill balance was \$25 million, which is included in other assets in the consolidated balance sheet. The company performed its annual impairment review for goodwill as of November 30th, 2011 and 2010 and concluded there was no impairment in 2011 or 2010.”