

International Association of Consultants, Valuators and Analysts

707 Eglinton Avenue West, Suite 501
Toronto, Ontario M5N 1C8, Canada

24 September 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116
File Reference No. 2013-300
By email: director@fasb.org

Dear Sir or Madam,

This letter of comment is submitted on behalf of the International Association of Consultants, Valuators and Analysts (IACVA), a member of the International Valuation Standards Council (IVSC) and the World Association of Valuation Organizations (WAVO). We are a knowledge transfer and credentialing organization with Charters covering 55 countries, listed in the appendix, serving about 10,000 members who are mainly involved in business valuation and fraud deterrence.

As a worldwide organization, we are extremely concerned with the development of the accounting standards related to valuation especially in Canada (an IFRS country), where we are incorporated, as well as in the United States, which has, at the moment, a majority of our members. We appreciate the opportunity to comment on the FASB Exposure Draft "*Disclosure of Uncertainties about an Entity's Going Concern Presumption*". Our responses to the questions are as follows:

Question 1: 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?

We accept that definition as reasonable.

Question 2: 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?

We believe that the auditors should review all significant management conclusions with respect to "going concern uncertainties". US GAAP should contain guidance about the timing, nature and extent of the necessary footnote disclosures.

Question 3: 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?

We believe that there should not be two thresholds but that in this respect, US GAAP should directly mirror the SEC disclosure requirements with respect to the "most significant risk factors" (Reg S-K item 503c) as well as "trends & uncertainties like to affect result" (item 303a).

Question 4: 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 objectivity 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.

We know that managements' views may be biased and therefore the auditors should review and confirm their conclusions, which should list, comment on and reflect the SEC requirements referred to in Answer 3.

Question 5: 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?

The frequency should reflect the SEC requirements.

Question 6: For SEC registrants, the proposed footnote disclosures would include aspects of reporting that overlap with certain SEC disclosure requirements (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?

We recommend that US GAAP directly mirror the SEC requirements. Although this would introduce a degree of redundancy; some examples of this already occur in other areas between the Managements Discussion & Analysis (MD&A) and the Financial Statements. We do not agree that the proposed footnote disclosure should have a narrower focus than the SEC requirements; there should be no differences.

Question 7: 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 matters affecting an entity's going concern assessment in other parts of its public filings with the SEC (such as risk factors and MD&A)? Please explain.

The proposed disclosures (GAAP and SEC) should mirror each other's as to timing, content and communicative value even though they are in different documents. There should be no differences.

Question 8: 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 disclosures address those concerns?

Forward-looking information is currently involved in reaching conclusion as to many balances in current financial statements; therefore, there do not appear to be significant problems in this case.

Question 9: What challenges, if any, could auditors face if the proposed amendments are adopted?

Requiring that auditors confirm management's comments in footnotes on the subject of going concern will undoubtedly bring a new element into the tasks of auditors, a company that might appear to the auditors to be in doubt as a going concern will now have management created disclosures that may include some variations of the truth and wishful thinking. This might be a difficulty for auditors who will have to reconcile management's comments with their professional judgement; the latter should always win. In the face of financial facts that could cause an auditor to conclude that failure is more likely than normal, many may be under pressure to forego publishing such a conclusion in their report because management forecasts a more positive situation.

Question 10: Do the expected benefits of the proposed amendments outweigh the incremental costs of applying them?

If the amendments mirror SEC reporting with an exception for Small & Medium sized Enterprises ("SMEs"), the incremental costs should be low and the additional information useful.

Question 11: 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?

We strongly believe the reports should not be more stringent than those for the SEC; FASB should not reinvent the wheel.

- 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?

We accept that there may be differences in the probability of each occurrence but feel that the overall situation is the one that matters.

- c. Do the proposed amendments adequately contemplate qualitative considerations? Why or why not?

In our view, the SEC requirements adequately contemplate qualitative and quantitative factors.

d. Do you believe that the guidance in paragraph 205-40-50-4 about information on 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?

We believe that the requirements and disclosures of GAAP should mirror those of the SEC. The guidance paragraph 205-40-50-4 is helpful but deviates from this objective.

e. Are your views the same for SEC registrants and non-SEC registrants?

We believe that all entities subject to US GAAP should follow the SEC disclosure.

Question 12: 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 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?

The consideration period should mirror that of the International Financial Reporting Standards (IFRS).

Question 13: 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.

The SEC concentrates on disclosure of trends, uncertainties and risks. Their procedures are well established US GAAP should follow them. We see no need for two different disclosure thresholds.

Question 14: 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?

The definition in paragraphs 205-40-50-5 is acceptable.

Question 15: Do you agree with the nature and extent of disclosures outlined in paragraph 205-40-50-7? Should other disclosure principles be included?

To repeat a theme, we suggest the US GAAP disclosures mirror those of the SEC.

Question 16: 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 suggest that the consideration period be the same as that under IFRS and the disclosures mirror those for the SEC.

Question 17: 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 SEC requirements are sufficient.

Question 18: 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 statements would benefit from a requirement for management to evaluate and disclose substantial doubt.

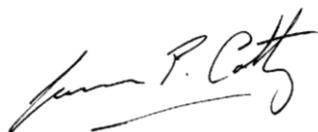
For US GAAP, whether an entity is, or is not an SEC filer should be irrelevant. The SEC's required disclosures in the MD&A should be mirrored in the footnotes.

Question 19: 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 an improvement over current practice? Why or why not?

It appears that the Board's definition of "substantial doubt" is similar to the upper end of the range of present interpretation. This is desirable as it links the new to the old. Whether there are more or less "substantial doubt determinations" under the proposed rather than the current interpretation is irrelevant. What is needed is adequate disclosure of all of the SEC requirements.

Should a Board or staff member wish to discuss this matter further, you may contact me during normal business hours (Eastern Time) at 416-865-9766.

Respectfully submitted on behalf of IACVA
Per



James P. Catty, MA, CA•CBV, CPA/ABV, CVA, CFA, CGMA, CFE
Chair

Appendix

IACVA List of Countries

Americas

Bahamas
Canada
Grenadine Islands
Guatemala
United States
Mexico
Puerto Rico
Argentina
Brazil

Africa

Ghana
Kenya
Nigeria
South Africa
Uganda

Europe

Austria
Germany
Netherlands
Switzerland
Romania
Ireland
United Kingdom

Asia/Pacifica

China
Taiwan
Japan
South Korea
Hong Kong
Singapore
Malaysia
Thailand
Australia
India

Middle East

Lebanon
Egypt
Syria
Jordan
Kuwait
United Arab Emirates
Saudi Arabia
Israel
Bahrain

Commonwealth of Independent States

Armenia
Azerbaijan
The Republic of Belarus
Kazakhstan
Kyrgyzstan
Moldova
Russia
Tajikistan
Turkmenistan
Ukraine
Uzbekistan
Georgia
Estonia
Latvia
Lithuania