



December 20, 2013

Ms. Susan Coper
Technical Director
File Reference No. 2013-320
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the FASB's proposed Accounting Standards Update, *Development Stage Entities (Topic 915) - Elimination of Certain Financial Reporting Requirements* ("the proposed update").

We commend the Board for its efforts to identify areas where financial reporting can be simplified and unnecessary complexity can be removed from today's guidance. The Board has indicated that through the outreach it conducted with certain stakeholders it found that the presentation and disclosure requirements for development stage entities provide information that is not sufficiently decision-useful to justify the cost of preparing that information. Our experience is similar. For example, we understand that financial statement users find that the presentation of cumulative amounts since inception provides minimal information value. We therefore support the proposed elimination of the development stage entity reporting requirements.

We have reservations, however, regarding the consequential amendment to the consolidation guidance. Since the Board changed the variable interest entity model to focus on control rather than economics (more closely aligning the variable interest and voting interest models), a conceptual basis may no longer exist for distinguishing development stage entities from other entities in the consolidation analysis. Accordingly, in principle, we can support the consequential amendment to remove that distinction. However, we are not aware of any significant concerns in practice that indicate a change in the consolidation analysis for development stage entities is needed. In fact, the proposed amendment would likely cause most "development stage entities" (as currently defined) to be variable interest entities and, in turn, subject to the more complex consolidation evaluation under the variable interest entity model.

Importantly, in most cases, we do not believe the consolidation conclusion for development stage entities would change. But companies involved with development stage entities would be required to undertake significant incremental effort to perform the variable interest entity analysis and meet the incremental disclosure requirements. Therefore, we question whether the benefit of subjecting these entities to the variable interest entity analysis is sufficient to justify its added cost and complexity. For those reasons, and because we do not believe this was an intended consequence of the proposed change, we recommend the Board perform further outreach to understand its practical implications before changing the consolidation guidance.

We also note that the Board's consolidation project could result in significant changes to the consolidation model, which has the potential to cause companies to make further changes to their consolidation analysis. Therefore, we recommend the Board consider the timing and impact of the proposed consequential amendment to the consolidation guidance in relation to the broader consolidation project to avoid causing multiple changes in this area of accounting.



Appendix A, attached to this letter, contains our responses to the Questions for Respondents.

* * * * *

We appreciate the opportunity to express our views. If you have any questions regarding our comments, please contact Patrick Durbin at (973) 236-5152, Stephanie Stewart at (973) 236-7186, or Kirsten Schofield at (973) 236-4054.

Sincerely,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP



Appendix A

Question 1: Do you agree with the proposed amendments described in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

We agree with the elimination of the development stage entity concept and the related incremental presentation and reporting requirements from the current guidance. Our experience has similarly shown that the inception-to-date information and other required disclosures are generally thought to provide minimal value to financial statement users.

Question 2: Under the proposed amendments, all entities would be required to evaluate the total equity investment at risk using the guidance on the sufficiency of equity investment at risk in paragraphs 810-10-25-45 through 25-47, which requires both qualitative and quantitative evaluations. Will the proposed amendments result in substantive changes in the consideration of a development stage entity for consolidation? If so, how significant would those changes be?

We believe the proposed update will result in a substantial change in how most development stage entities are assessed for consolidation. These entities are often funded in stages. Under today's guidance, they would generally not be variable interest entities since they typically have sufficient equity at risk for the development stage. However, a development stage entity would be less likely to have sufficient equity at risk if sufficiency is assessed over its entire life as required under the proposed update. Therefore, removing the development stage entity exception from the sufficiency of equity at risk evaluation will likely cause most development stage entities to be variable interest entities, although we do not expect consolidation conclusions to change in most cases.

Companies that have a variable interest in these types of entities would incur significant incremental effort. They would need to (1) perform the consolidation analysis under the more complex variable interest entity model, (2) accumulate the information needed to meet the more onerous variable interest entity disclosure requirements (even when consolidation is not required), (3) perform the required reassessments each reporting period, and (4) develop, document, and test controls over these processes. We believe there would be minimal to no incremental benefit to the financial statements.

We acknowledge that limited circumstances may exist where the consolidation conclusion would change. The variable interest entity guidance requires a more holistic assessment of which party controls an entity; whereas, the voting interest model focuses on the existence of majority voting rights in determining which party controls. Therefore, the application of a different model could lead to a different conclusion. In the context of development stage entities, we believe this could occur when different parties have power over different activities or perhaps when the related party tiebreaker is applied under the variable interest entity model. We are uncertain how often these scenarios would occur.

For all of the reasons described in this response, we recommend that the Board perform further outreach to determine if the benefits of such a change justify the incremental cost to preparers.



Question 3: Is there information that would be useful to investors and potential investors of development stage entities that will not be provided as a result of the proposed amendments? If so, please describe the information that development stage entities should be required to provide and why.

We are not aware of information that would be useful to investors and potential investors of development stage entities that is not already provided as a result of existing disclosure requirements.

Question 4: Will the proposed amendments result in substantive changes to the application of other existing guidance that would require transition provisions or that the Board should consider in determining the appropriate effective date for the final amendments? If so, please describe.

See our response to Question 2. We recommend that the Board provide transition guidance to address possible changes in companies' consolidation conclusions. The additional outreach we recommended in our response to Question 2 should be helpful in determining the prevalence of a change in consolidation conclusions resulting from this proposal and the extent to which transition guidance is needed.

In addition, we recommend the Board obtain input from preparers involved with development stage entities to understand the time needed for them to perform any new consolidation analyses and to gather the information necessary for the incremental variable interest entity disclosures. We also recommend the Board consider the timing and impact of the proposed change to the consolidation guidance in conjunction with the broader consolidation project in order to avoid causing multiple changes in this area of accounting.

Question 5: The proposed amendments would apply to public and nonpublic entities. Will any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) will require special consideration, and why?

We do not believe any of the proposed amendments would require special consideration for nonpublic entities.