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December 23, 2013

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

Re: November 7, 2013 Exposure Draft of a Proposed Accounting Standards Update (ASU), *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements* [File Reference No. 2013-320]

Dear Ms. Cosper:

One of the objectives that the Council of the American Institute of Certified Public Accountants (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 ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC is generally supportive of this ED, which would remove the definition of development stage entities (DSEs) from U.S. GAAP, eliminate the unique presentation and disclosure requirements for DSEs and eliminate the special variable interest entity exception for DSEs in FASB *Accounting Standards Codification™* (ASC) Section 810-10-15, *Consolidation—Variable Interest Entities—Scope and Scope Exceptions*. TIC recommends, however, that generic disclosure of an entity's development stage activities be retained.

TIC agrees conceptually with the proposed effective date, but has offered alternative language for the Board's consideration in finalizing the proposed ASU.

Further details regarding both of the above comments are provided below.

SPECIFIC COMMENTS

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.*

TIC generally agrees with the proposed amendments and supports the Private Company Council and FASB joint initiative on this project. The amendments will provide welcome relief from the onerous recordkeeping of inception-to-date cumulative information for DSEs.

TIC's comments below include recommendations for one remaining disclosure and revised effective date language, as discussed in TIC's responses to Questions 3 and 4, respectively.

Question 2: *Under the proposed amendments, all entities applying Topic 810 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 to Topic 810 result in substantive changes in the consideration of a development stage entity for consolidation? Do you agree with this change? How significant would this change be?*

TIC agrees with the proposed change, since it will provide more consistent consolidation decisions.

Question 3: *Is there information, either previously required and proposed to be eliminated or not previously required, that would be useful to investors and potential investors of development stage entities? If so, please describe the information that development stage entities should be required to provide and why.*

TIC believes that development stage entities should be required to disclose that they are in start-up mode or are otherwise engaged in development stage activities. (There is no need to provide any financial information with the disclosure.) Such disclosure would provide valuable information to financial statement users, especially if the entity had negative cash flows and significant losses for the period.

TIC also believes that retaining this disclosure would not necessitate retaining the definition of development stage entities in the ASC. Although the proposed amendments would eliminate the definition of DSEs from U.S. GAAP, the amendments will not eliminate the concept of development stage activities, which is well understood by financial statement users.

TIC therefore recommends that ASC Topic 275 (Presentation: Risks and Uncertainties) be amended to include a requirement as part of paragraphs 275-10-50-1 through 50-2 to discuss an entity's development stage activities, if relevant, as part of the "nature of operations" disclosure.

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.*

TIC supports implementation of the amendments immediately (i.e., for fiscal years, and interim periods within those years, as of the effective date). TIC also believes that the amendments should apply to financial statements with fiscal years ended one or more years earlier than the current year that are issued or available to be issued after the effective date and for any prior year financial statements reissued after the effective date.

The ED states that early adoption would be permitted for entities that have not yet issued financial statements. However, TIC believes the proposed language may not be sufficiently inclusive to cover all applicable circumstances and that alternative language could be clearer and simpler. TIC therefore recommends that the effective date be stated as follows in the final standard:

The amendments in this proposed Update would be effective upon issuance.

TIC believes there would be no adverse consequences in setting an effective date without the usual transition period, since the purpose of the amendments is to remove, rather than add, requirements.

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?*

No special considerations are necessary for nonpublic entities.

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,



Scot Phillips, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees