

July 10, 2014

Technical Director
FASB
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Via e-mail: director@fasb.org

File Reference No. 2014-200

Re: Proposed Statement of Financial Accounting Concepts – *Conceptual Framework for Financial Reporting, Chapter 8: Notes to Financial Statements*

Dear Board Members:

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced Proposed Statement of Financial Accounting Concepts, including the questions posed in the “Questions for Respondents” section. The FICPA has approximately 18,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of more than 20 members, of whom 42% are from local or regional firms, 24% are from large multi-office firms, 14% are sole practitioners, 10% are in international firms, and 10% are in academia or private industry. Therefore we are addressing this exposure draft both from the viewpoint of preparers of financial statements as well as those performing attest services on them. The Committee has the following comments related to the questions numbered below:

1. No, the Committee does not believe financial statements of employee benefit plans should be excluded from the scope of the proposed chapter. While the Committee agrees there are differences between the primary users of financial statements of businesses and not-for-profit entities as compared to employee benefit plans, from a conceptual standpoint the Committee believes the decision-making framework related to note disclosures should be common to all entity types and types of financial statements.
2. Yes, the Committee agrees the concepts in the proposed chapter related to not-for-profit entities are clear and address the informational needs of resource providers to those entities. As noted in paragraph D9, “assessments of services and the ability to provide services can be aided, *at least in part*, through assessing past and future cash flows of the entity...” (emphasis added). The Committee is in agreement with the Board that information provided via financial reporting is only one part of the decision-making process for not-for-profit resource providers.

3. The Committee agrees the concepts in the proposed chapter encompass the information generally appropriate for disclosure in notes to financial statements, although the heavy focus towards cash flows may lead to ineffective note disclosure decisions in some circumstances. There are certain entities for which future cash flow prospects cannot be accurately predicted using historical information, the amounts recognized in the basic financial statements, or the notes which would result from the proposed conceptual framework. By way of example, the Committee discussed the types of entities described by the Board in its Proposed Accounting Standards Update related to Development Stage Entities (Topic 915; file reference no. 2013-320) – in particular, see paragraph BC10 of that document. The Committee is concerned that an emphasis on proven or expected cash flows when deciding which types of note disclosures are relevant may lead to unsuitable conclusions in such circumstances.
4. No, the Committee has not identified additional concepts needed to identify information that would be unsuitable for requirement by the Board in notes to financial statements.
5. Yes, the decision questions in Appendix A of the proposed chapter are viewed by the Committee as appropriate for use by the Board during the standard-setting process.
6. Yes, the Committee concurs that the discussion in paragraphs D43-D50 of the proposed chapter identifies matters appropriate for consideration related to information about the reporting entity.
7. Although the Committee agrees the concepts related to future-oriented information (paragraphs D22-D31) will most likely result in disclosures that are appropriate for the notes, considerable discussion amongst Committee members occurred related to existing subsequent events requirements and the interrelationship of such matters with the proposed chapter. The general consensus of the Committee was that in most cases financial statement notes should not include a significant amount of forward-looking discussion that is not directly related to amounts recognized in the financial statements and, accordingly, the proposed chapter may benefit from additional discussion in this area.
8. Yes, the Committee believes the concepts in the proposed chapter appropriately distinguish the types of information that are appropriate for the notes from the analysis management provides in other communications. The Committee appreciates the distinction and related discussion, and encourages the Board to apply the final decision-making framework such that note disclosures are not unduly burdened with information that is more appropriately provided by management in other communications.
9. No, the Committee is not in agreement with the conclusions reached concerning disclosure requirements for interim periods (paragraphs D60-D71 and BC18-BC24). The introduction to paragraph D60 (“Financial statements for interim periods generally are provided for different reasons from the reasons for providing annual financial statements...”) as well as footnote 13 on that same page are, in the Committee’s view,

geared almost exclusively toward public business entities. Additionally, from a conceptual standpoint the Committee questions what rationale – other than time constraints for public business entities filing with the SEC – may exist to significantly reduce disclosures at interim periods. Such a conclusion appears to be a tacit acknowledgement that amounts recognized (and note disclosures provided) at interim are not as robustly considered as the same items at fiscal year end. The Committee is concerned that the needs of certain financial statement users (such as lenders to or investors in non-public small businesses who report on a quarterly basis) may be marginalized by taking such an approach to the decision-making framework in the proposed chapter.

10. The Committee concurs with the conclusion expressed by the Board regarding transactions, events, or line items which are not specifically included in any authoritative guidance regarding disclosures. That is, the Committee believes authoritative guidance for similar transactions would be considered along with nonauthoritative guidance such as the conceptual framework in determining the accounting and reporting requirements related to such transactions, events, or line items. This includes the framework outlined in Appendix A to the proposed chapter. The Committee also noted with interest the commentary in paragraph P11 regarding “the possibility that FASB Concepts Statements could be elevated to authoritative status in the future.”

The Committee appreciates the opportunity to respond to this Proposed Statement of Financial Accounting Concepts. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

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Committee members coordinating this response:

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