

RUSSELL G. GOLDEN
Chairman

May 20, 2015

Mr. W. Daniel Ebersole
Dr. Terry D. Warfield
Co-Chairs, Standard-Setting Process Oversight Committee
Financial Accounting Foundation
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Ebersole and Dr. Warfield,

Response of the Financial Accounting Standards Board

The Financial Accounting Standards Board (the FASB or the Board) is pleased to provide this response to the Financial Accounting Foundation's *Post-Implementation Review (PIR) Report on FASB Statement No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*, dated May 2015 (the PIR Report).

The FASB continually strives to improve U.S. generally accepted accounting principles. The Board believes post-implementation reviews are an important feedback mechanism because they provide insights into the effectiveness of our standards and opportunities to improve the standards-setting process. The PIR process provided some important stakeholder feedback on the benefits and costs of Statement 160 in light of actual experience using and preparing the information for an extended period of time.

We are pleased that the PIR team concluded that Statement 160 achieved its expected benefits because it adequately resolved all of the issues underlying its stated need by eliminating diversity in practice, improving the relevance of reported financial information on noncontrolling interests and converging with International Accounting Standard (IAS) 27, *Consolidated and Separate Financial Statements*¹. The PIR Report also stated that Statement 160 generally provides

¹ In May 2011, the IASB moved the requirements for accounting for noncontrolling interests in IAS 27 to International Financial Reporting Standard 10, *Consolidated Financial Statements*.

investors with decision-useful information; is generally understandable; can be applied as intended; enables information about noncontrolling interests to be reported reliably for both public and nonpublic entities; and did not result in any unexpected changes to financial and operating practices or unanticipated consequences.

Evaluation of the Findings in the PIR Report

The PIR Report stated that Statement 160 is operational in that it is generally understandable, can be applied as intended and enables information about noncontrolling interests to be reported reliably. The PIR Report also stated that the requirement to allocate net income or loss between a parent and the noncontrolling interest can be challenging in situations where the equity structure is complex (and net income is not shared proportionally) and that Statement 160 does not provide detailed guidance to address these situations.

The FASB considered but ultimately decided not to provide detailed guidance for attributing net income and loss. In the exposure draft, the Board proposed that the attribution would be based on relative ownership interests unless there was an arrangement that required a different attribution, such as a profit sharing arrangement. In that case, net income or loss would have been attributed based on the terms of that arrangement. The Board received feedback in comment letters to the exposure draft that the methods prescribed might not be appropriate when ownership in a particular asset or liability is not proportional. Based on that feedback, the Board decided detailed guidance was not necessary as they observed that before Statement 160 was issued, entities were making attributions that were reasonable and appropriate. Removing the detailed allocation guidance also converged Statement 160 with IAS 27 which was one of the issues underlying Statement 160's stated need.

The FASB appreciates that complex equity structures could make the attribution between the parent and noncontrolling interest holders challenging; however, the PIR Report also observed that in practice, entities use methodologies that best reflect the economics of the arrangement which would be the goal of any additional standard setting. The FASB also notes that this topic is not a leading cause of restatements, not one of the most frequent SEC comment letter topics or the subject of frequent PCAOB inspection findings.

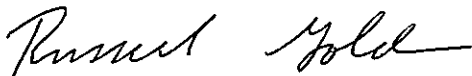
FASB's Plan to Address Findings in the PIR Report

The FASB plans to analyze the findings in the PIR Report, including performing outreach with the objective of understanding whether there are any cost-effective solutions that would reduce complexity associated with allocation without significantly reducing the usefulness of the information. The FASB also plans to understand stakeholders' views about the priority of

addressing those concerns relative to the other projects the Board could undertake to enhance U.S. GAAP.

On behalf of the FASB, I would like to thank the FAF for undertaking this important process and all of the stakeholders that provided their perspectives about Statement 160 for the benefit of those that use U.S. GAAP.

Sincerely,

A handwritten signature in black ink that reads "Russell Golden". The signature is written in a cursive style with a long horizontal flourish at the end.

Russell G. Golden

cc: FAF Board of Trustees, Teresa S. Polley, Kimberley R. Petrone