



RSM US LLP

February 25, 2016

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Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2015-350

Dear Ms. Cospers:

RSM US LLP (formerly McGladrey LLP) is pleased to comment on the proposed Accounting Standards Update (ASU), *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (the “proposed ASU”). We support the Board’s disclosure framework project and its overall objective to improve the effectiveness of disclosures in the notes to financial statements by promoting both consistent decisions about disclosure requirements and the appropriate exercise of discretion by reporting entities. In addition to our overall support of the Board’s disclosure framework project, we support the provisions of this proposed ASU and its proposed changes to the disclosure requirements for fair value measurements, as modified by our comments below. Our responses to the “Questions for Respondents” on which specific comment is sought are included below for your consideration.

Responses to Questions for Respondents

Question 1: *Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.*

For the most part, we agree that the proposed amendments result in more effective and decision-useful information about fair value measurements. However, as described further below, we have concerns that some of the amendments may result in disclosures which do not provide effective, decision-useful information. Also, we believe that certain eliminations may not be appropriate for all industries.

First, we are concerned that the amendment to require disclosure of the changes in unrealized gains and losses for the period included in other comprehensive income and earnings for recurring Level 1 and Level 2 fair value measurements held at the end of the reporting period, disaggregated by level of the fair value hierarchy, may generate significant incremental costs without providing significant benefit to financial statement users. While we agree that financial statement users may be interested in unrealized gains and losses related to Level 3 measurements given the uncertainty involved with such measurements, we are not aware of an interest in similar information for recurring Level 1 and Level 2 measurements. We are concerned that the incremental costs that may result from this disclosure requirement, as this is information that is not currently tracked by the level within the fair value hierarchy by many entities and may

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require system and process changes in order to comply with this requirement, would not be justified by the incremental benefits that may be obtained.

Additionally, for private investment companies under Topic 946, we do not believe that the reconciliation of the opening balances to the closing balances of recurring Level 3 fair value measurements should be eliminated. Venture Capital, Business Development Companies, and Small Business Investment Companies primarily invest in only Level 3 securities, which represent a significant portion of their balance sheet and, therefore, the changes in the Level 3 fair value measurements of these securities is important information to financial statement users.

Question 2: *Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?*

Other than as noted in our response to Question 1 related to the amendment to require disclosure of the changes in unrealized gains and losses for the period included in other comprehensive income and earnings for recurring Level 1 and Level 2 fair value measurements, the proposed disclosure requirements are operable and auditable.

Question 3: *Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.*

With the exception of our concerns raised in our response to Question 1, we do not anticipate that entities will incur significant costs as a result of the amendments in this proposed ASU. Although there could be additional costs and efforts to comply with some of the proposed amendments requiring additional disclosures, those costs will likely be offset by other amendments reducing disclosures.

Question 4A: *The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies.*

Except as otherwise indicated in Question 1, we agree that all private companies should be exempt as provided for in 820-10-50-2(bbb) through (d).

Question 4B: *Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.*

We believe the exemptions provided for in paragraph 820-10-50-2(bbb) through (d) for private companies should be extended to employee benefit plans, including plans that file a Form 11-K with the SEC, and not-for-profit entities.

Overall, given the lag in the issuance of financial statements and the availability of more timely information, we do not believe the financial statements of employee benefit plans and not-for-profit entities are used to make investment decisions. Additional reasons supporting our recommendation that the scope of exemptions be expanded to include employee benefit plans and not-for-profit entities are provided below for each of the specific disclosures.

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Disclosure of the range, weighted average, and time period used to develop significant unobservable inputs and Level 3 reconciliation

Most employee benefit plans would not have significant Level 3 investments to which these disclosure requirements would apply. However, for those plans that do, this required information could be costly to obtain and audit because it is not readily available. Not-for-profit entities would already be largely scoped out of these requirements given that alternative investments (those investments for which fair value is measured using the net asset value per share) are not included in the fair value hierarchy disclosures.

Disclosure of changes in unrealized gains and losses for Levels 1, 2 and 3

As previously indicated in our response to Question 1, we do not support the amendment to require disclosure of the changes in unrealized gains and losses for the period included in other comprehensive income and earnings for recurring Level 1 and Level 2 fair value measurements held at the end of the reporting period, disaggregated by level of the fair value hierarchy. We believe that such an amendment may generate significant incremental costs without providing significant benefit to financial statement users.

We recommend that both employee benefit plans and not-for-profit entities be exempt from this requirement even if amended to only include information about Level 3 investments. As previously expressed, we do not believe the financial statements of these entities are relied upon to make investment decisions. Further, for employee benefit plans, on Schedule H of the Form 5500, information on net realized and unrealized gains and losses is already provided based on current value reporting. Disclosure of unrealized gains and losses, by fair value hierarchy level, may be costly to provide and would not provide significant decision-useful information.

Question 5: *The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements. Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.*

For the most part this disclosure requirement is operable and would provide meaningful information, but we suggest the Board provide for discretion when such information is not meaningful for a class of financial instrument.

Question 6: *The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?*

For the most part this information would not be costly to provide and would be useful to financial statement users, but we suggest the Board provide for discretion when such information is not meaningful for a class of financial instrument. For example, for warrants it may be more meaningful to state that the time period for significant assumptions is based on the expected life of the warrant rather than provide the specific time period. The specific time period could be a large range, which may not be meaningful, if there are multiple warrant issuances with vastly different expected lives within the class.

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Question 7: *Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.*

We are not aware of any other disclosures which should be required by Topic 820. We believe unless otherwise noted the proposed amendments sufficiently address the needs of financial statement users.

Question 8: *Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.*

We are not aware of any other disclosures within Topic 820 which should be eliminated. We believe unless otherwise noted the proposed amendments sufficiently address the needs of financial statement users.

Question 9: *How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.*

With the exception of the amendment to require disclosure of the changes in unrealized gains and losses for the period included in other comprehensive income and earnings for recurring Level 1 and Level 2 fair value measurements, which as noted above may require significant time to implement should the Board proceed with this change, we believe that the expected transition time of adopting the proposed ASU will be minimal. Therefore, we do not believe the amount of time needed to apply the proposed amendments by entities other than public business entities would be greater than the amount of time needed by public business entities. Further, we believe that early adoption should be allowed.

We appreciate this opportunity to provide feedback on the proposed ASU and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Ginger Buechler at 612.455.9411.

Sincerely,

RSM US LLP

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