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Susan M. Cospers, CPA  
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PO Box 5116  
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**Re: December 3, 2015 Exposure Draft of a Proposed Accounting Standards Update (ASU), Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement [File Reference No. 2015-350]**

Dear Ms. Cospers:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 412,000 members in 144 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the 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 supports the proposed amendments and believes the exemption for certain disclosures provided to private companies should also be extended to employee benefit plans and not-for-profit (NFP) organizations. TIC requests a longer transition period for private companies and supports early adoption of the final standard.

#### **SPECIFIC COMMENTS**

*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.*

Yes. The amended requirements better align the disclosure requirements with the Proposed Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, as well as the current economic conditions, which are different from the conditions that existed when the initial disclosure requirements were first implemented.

TIC supports the elimination of the Level 3 rollforward disclosure and agrees with the Private Company Council that private companies should continue to disclose the transfers into and out of Level 3 of the fair value hierarchy and purchases of Level 3 assets and liabilities. TIC believes this information could be useful to decision-makers.

TIC also appreciates the addition of paragraph 820-10-50-1C, which specifically limits the required disclosures to those that are material.

Additionally, TIC believes that none of the proposed amendments would cause the elimination of any decision-useful information for private companies.

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

TIC believes the proposed amendments would be operable and auditable for private companies since the proposed changes would simplify extant fair value measurement disclosures and exempt private companies from the more complex disclosure requirements proposed for public companies. However, TIC did identify at least one potential problem if the simplifications allowed for private companies are not extended to employee benefit plans. Employee benefit plan investment custodians often do not provide the necessary information to comply with the proposed disclosure changes in ASC 820-10-50-2(d). Therefore, obtaining this information for an employee benefit plan might pose an auditability issue. This is part of the reasoning for TIC's response in Question 4B below related to exempting employee benefit plans and NFP entities from those disclosure requirements.

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

TIC does not foresee any significant incremental costs for private companies.

*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.*

Yes, by exempting private companies from these disclosure requirements, TIC believes there would be no significant reduction in information considered key to most private company decision makers.

*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.*

Yes, employee benefit plans and NFP organizations should be exempt from requirements in the proposed amendments presented in paragraphs 820-10-50-2(bbb) through (d) for the same reasons that apply to private companies. That is, the information would not be important to most users of plan and NFP financial statements, since they do not generally engage in detailed analysis of fair value information, especially at this granular level.

Furthermore, the addition of these types of disclosures would seem to contradict the objectives of the simplification for employee benefit plans provided by the issuance of ASU 2015-12, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (consensuses of the FASB Emerging Issues Task Force)*. ASU 2015-12 acknowledged and corrected for conflicting guidance in accounting for employee benefit plans between Topic 820 and Topics 960, 962, and 965. This proposed ASU will essentially overturn certain amendments included in ASU 2015-12.

For further information on the issues and considerations for employee benefit plans and NFP organizations, please refer to the comment letter submitted by the AICPA Financial Reporting Executive Committee.

*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 reasons discussed in paragraph BC48 of the ED, TIC supports the Board's proposal in paragraph 820-10-50-2G to exempt private companies from this disclosure. Private company financial statement users would not use such detailed information.

The primary concern related to this question is that employee benefit plans and NFPs also be exempted from this requirement (see Question 4B above).

*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?*

TIC has not responded to this question since private companies would be exempt from this disclosure under the proposal.

*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.*

None known.

*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.*

None known.

*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.*

Most entities should not require a significant amount of time to implement the proposed amendments since only the disclosure requirements would change, not the measurement requirements. However, TIC believes a transition period of at least one year beyond the effective date for public companies is necessary to ensure that private entities are fully aware of the accounting change. TIC also supports early adoption.

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,



Michael A. Westervelt, Chair  
PCPS Technical Issues Committee  
cc: PCPS Executive and Technical Issues Committees