



September 5, 2017

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

RE: File Reference No. 2017-240

Dear Ms. Cospers:

RSM US LLP is pleased to provide feedback on the proposed Accounting Standards Update (ASU), *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. We appreciate the opportunity to provide comments, and we support the Board's efforts to simplify the application of the variable interest entity (VIE) guidance.

We also support the Board's efforts in the proposed ASU to be responsive to observations made by stakeholders and improve financial reporting by making targeted improvements to the related party guidance for variable interest entities. We further support the Board's ongoing efforts to simplify the VIE guidance as a whole.

Our responses to the specific questions posed in the proposed ASU follow.

Responses to Questions for Respondents

Question 1: *Should all common control arrangements (that is, for both private companies and public business entities) be excluded from the scope of VIE guidance (as opposed to just an option for private companies as provided in the amendments in this proposed Update)? Please explain.*

We do not see any differences between common control arrangements of private companies and those of public business entities. For that reason, we believe all common control arrangements (for both private companies and public business entities) should be excluded from the scope of the VIE guidance.

Question 2: *Do you agree that a private company (reporting entity) should have an option to not apply VIE guidance to legal entities under common control if both the common control parent and the legal entity being evaluated for consolidation are not public business entities? If not, please explain why.*

We agree that a private company should have an option to not apply the VIE guidance to legal entities under common control. We believe that in the majority of situations involving private companies, it is likely that consolidation of entities under common control does not provide information financial statement users would find useful. However, situations do exist in which consolidation would result in decision-useful information. In those situations, consolidation should be permitted. Therefore, we agree that private companies should be given the option (rather than be required) to apply the VIE guidance.

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Question 3: *Should the current accounting alternative for private company leasing arrangements under common control provided under Update 2014-07 be retained, or should it be replaced by the proposed broader private company alternative, assuming this proposed Update is finalized? Would the proposed accounting alternative continue to address the concerns of private companies currently applying the accounting alternative for leasing arrangements under common control? If not, please explain why. Additionally, what existing leasing arrangements that are eligible to be accounted for using the current alternative, if any, would not be captured by the accounting alternative in the proposed amendments?*

We support the replacement of the alternative in Update 2014-07. We believe private entities that have applied the guidance in Update 2014-07 will not be harmed by the elimination of that guidance, as we believe the proposal adequately addresses any concerns those entities may have related to common control leasing arrangements.

Question 4: *Do the proposed disclosure requirements in paragraphs 810-10-50-2AG through 50-2AI adequately provide information about a reporting entity's involvement with and exposure to a legal entity? If not, please explain why. Also, please elaborate on any additional disclosures that you consider necessary to appropriately reflect a reporting entity's involvement with and exposure to a legal entity.*

We believe the proposed disclosure requirements in paragraphs 810-10-50-2AG through 50-2AI provide adequate information about involvement with and exposure to a legal entity.

Question 5: *Should indirect interests held through related parties that are under common control with a decision maker or service provider be considered on a proportionate basis, as opposed to being considered the equivalent of a direct interest in its entirety, when determining whether a decision-making fee is a variable interest in a VIE? If not, please explain why.*

We believe indirect interests held through related parties should be considered on a proportionate basis rather than in their entirety.

Question 6: *Should a reporting entity be required to determine whether a controlling financial interest exists at the reporting entity level for situations in which power is shared among related parties or when related parties under common control, as a group, have a controlling financial interest but the parties individually do not? If not, please explain why. In doing so it is acknowledged that, in certain situations, it is possible that no reporting entity under common control will consolidate a VIE.*

We believe that in situations in which power is shared in a related party group, or when related parties under common control, as a group, have a controlling financial interest, if all parties are private companies, circumstances may exist in which no reporting entity under common control should be required to consolidate a VIE. We believe the proposed disclosures would provide sufficient information to users of private company financial statements.

Question 7: *Are the factors in paragraph 810-10-25-44A adequate for determining whether a reporting entity within a common control group may be the primary beneficiary of a VIE? If not, please explain why and describe what other factors you would recommend.*

We believe the proposed guidance might not achieve the desired reduction in the amount of judgment required to be applied or the diversity in practice. The proposal lists four qualitative factors that should be considered in determining whether a member of a related party group is the primary beneficiary of a VIE. Those factors (in proposed paragraph 810-10-25-44A) are very similar to factors that must be considered in the existing related party tie-breaker test (current paragraph 810-10-25-44).

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Question 8: *Does the “related party tie-breaker” test currently in GAAP (paragraph 810-10-25-44) result in appropriate consolidation results? If yes, please explain why. Alternatively, would the proposed amendments cause unintended consequences or allow reporting entities to achieve a desired consolidation result that is inconsistent with the economics of a related party arrangement? If yes, please explain how.*

We believe the level of judgment and interpretation needed to apply the “related party tie-breaker test” currently in paragraph 810-10-25-44 potentially leads to diversity in practice. We note, however, that the frequency with which application of the related party tie-breaker test is required has been reduced by the application of ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*.

We believe the proposed amendments would further reduce the frequency with which the tie-breaker test would be required to be performed. We do not believe the proposed amendments cause unintended consequences or allow reporting entities to achieve a desired consolidation result that is inconsistent with the economics of a related party arrangement.

Question 9: *Do you agree with the proposed transition requirements in paragraph 810-10-65-9? If not, what transition approach would be more appropriate?*

We agree with the proposed transition requirements.

Question 10: *Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.*

We agree with the proposed transition disclosures.

Question 11: *How much time is needed to implement the proposed amendments?*

We note that the proposed ASU is considered a simplification, and as such, we do not believe it would take an inordinate amount of time to adopt. While the amount of time needed might vary from entity to entity, we believe entities would benefit from the proposed guidance in the near future and see no reason to delay an effective date.

Question 12: *Should the proposed amendments be effective on the same date for both public business entities and entities other than public business entities?*

We believe the proposed amendments should be effective on the same date for both public business entities and other-than-public business entities. As noted in our response to Question 11, we believe this proposal represents a simplification, and therefore see no reason to defer an effective date for nonpublic entities.

Question 13: *Should the effective date of the private company accounting alternative be consistent with the amendments in Accounting Standards Update No. 2016-03, *Intangibles—Goodwill and Other (Topic 350)*, *Business Combinations (Topic 805)*, *Consolidation (Topic 810)*, *Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance*?*

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Given that the standard is a simplification, we see no reason to defer the effective date or align it with other proposed changes. If there is a delayed effective date, we think it would be appropriate to allow for early adoption.

We appreciate this opportunity to provide feedback on the proposed Update 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 Richard Stuart at 203.905.5027.

Sincerely,

RSM US LLP
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