

August 29, 2017

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update: *Targeted Improvements to Related Party Guidance for Variable Interest Entities (Consolidation – Topic 810)*

Dear Ms. Cosper:

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 ASU. The FICPA has more than 20,000 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of approximately 23 members, of whom 48% are from local or regional firms, 26% are from large multi-office firms, 13% are sole practitioners, 9% are in international firms, and 4% are in education. The Committee has the following comments related to the questions numbered below:

1. The Committee believes the proposed ASU should not apply to public business entities at this time and remain an option for private companies as provided in the amendments in the proposed update. Our position considers the needs of the stakeholders of the financial statements. For private companies, the stakeholders of the financial statements are typically stockholders and financial institutions who have intimate knowledge of the Company. The stakeholders are aware of the common control arrangements and consider these arrangements in financial decisions whether or not they are consolidated in the financial statements. For public companies, the stakeholders are commonly investors who rely on the financial statements to make informed financial decisions. Public Company stakeholders may or may not be aware of the details of common control arrangements. Despite the additional required disclosures included in the proposed update, we believe the financial statements will provide more useful information for the stakeholders if the current consolidation guidance under Topic 810 remained in place for public business entities.
2. The Committee believes a private company should have an option to not apply Variable Interest Entity (“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. In our experience, the current VIE guidance can produce unintended results to require consolidation of common control arrangements required by the users of the financial statements. The option proposed by the Financial Accounting Standards Board is a practical alternative to the users of the financial statements which will reduce the time and costs associated with VIE analysis that may be unnecessary or lead to GAAP departures.
3. The Committee believes ASU 2014-07 should be replaced by this proposed exposure draft.
4. The Committee believes the proposed disclosure requirements in paragraphs 810-10-50-2AG and 50-2AI appear to adequately provide information about a reporting entity’s involvement

with and exposure to a legal entity which would be useful to the stakeholders of the financial statements. We do not propose any additional disclosures that would provide useful information to the stakeholders of the financial statements.

5. The Committee believes these interests should be considered on a proportionate basis. The proportional basis is consistent with typical commonly controlled arrangements between entities.
6. The Committee believes it should be required for a reporting entity to determine whether a controlling financial interest exists at the reporting entity level in situations where power is shared among related parties. It is important for private companies to perform an initial assessment to determine if consolidation of a commonly controlled entity is required based on the facts of arrangement between entities. If consolidation is required, the private company alternative can be elected. If power is shared among related parties, it's important for the reporting entity to consider if it has the controlling financial interest which would require consolidation either as a group or individually.
7. The Committee believes the factors in paragraph 810-10-25-44A are adequate for determining whether a reporting entity is the primary beneficiary of a common control arrangement.
8. The Committee believes the related party tiebreaker test isn't commonly used for private companies. If the proposed ASU becomes effective, the tiebreaker test likely will become less commonly used than it already is. With the tiebreaker test not being commonly used, the Committee has found it hard to determine if it results in appropriate consolidation results. With the proposed ASU, we feel the results of the related party tiebreaker test will become irrelevant if private companies can elect not to consolidate a variable interest entity.
9. The Committee believes establishing a transition approach of one year after adoption and permitting early adoption would be sufficient.
10. The Committee believes a reporting entity should be required to provide the transition disclosures within this proposed update, and we do not propose any additional disclosures.
11. See our response to question 9 above.
12. See our response in question 1. We don't believe this proposed update should apply to public entities.
13. Yes, the effective date should be consistent with ASU 2016-03.

The Committee appreciates the opportunity to respond to the Proposed Accounting Standards Update *Targeted Improvements to Related Party Guidance for Variable Interest Entities (Consolidation – Topic 810)*. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

Steven W. Bierbrunner, CPA  
Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee member coordinating this response:

Yanick J. Michel, CPA