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Sent: Tuesday, September 05, 2017 4:57 PM
To: Director - FASB <director@fasb.org>
Subject: Proposed Accounting Standards Update - Consolidation - Targeted Improvements to Related Party Guidance for Variable Interest Entities

The following comments primarily apply to question two.

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.

Response:

The perceived need for the accounting alternative appears to be driven by (1) the cost and complexity of applying VIE consolidation guidance and (2) diversity in consolidation outcomes when the guidance is applied (which likely confirms that the guidance is complex and indicates that consolidation guidance is often applied incorrectly).

Although mentioned in paragraph BC 19, the ASU itself does not mention combined financial statements nor discuss how combined financial statements can be used to alleviate the cost and complexity of applying VIE consolidation guidance to entities under common control. We believe the ASU should emphasize that the **common control parent** of the **reporting entity** and the **legal entity** has the option to prepare financial statements that combine the reporting entity with the legal entity, thereby eliminating the cost and complexity to the reporting entity of applying VIE consolidation guidance. Paragraph BC 19 should clarify that it is the common control parent that has the option to prepare combined financial statements, not the reporting entity.

If management decides to prepare separate financial statements of the reporting entity or is required by other stakeholders to do so, then the reporting entity should follow VIE consolidation guidance (i.e., depending on facts and circumstances, the reporting entity should determine whether it needs to evaluate whether it has a controlling financial interest in the legal entity under the VIE consolidation guidance).

We believe that after considering relevant facts and circumstances, in most cases where management can demonstrate to its stakeholders the cost and complexity of applying VIE consolidation guidance, combined financial statements will be acceptable to stakeholders of privately held companies. We also believe that many financial statement preparers are currently not aware of the option to prepare combined financial statements. Therefore, solely by emphasizing that combined financial statements are permitted under GAAP, we believe the Board would give private companies an option that significantly reduces the cost and complexity of applying VIE consolidation guidance.

In the event combined financial statements are not acceptable to stakeholders, we do not believe an additional accounting alternative for private companies is appropriate. We don't see any substantive reasons for asserting that applying VIE consolidation guidance to entities under common control is more complex than applying the guidance to entities not under common control. However, more examples demonstrating how to apply VIE consolidation guidance would be helpful, including examples illustrating relationships between entities under common control. We would suggest that each example follow the flowchart in ASC 810-10-05-6 illustrating the consolidation analysis through to a final conclusion.

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Our conclusions are based on the facts and assumptions as stated and on authorities that are subject to change.

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