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Via Email to director@fasb.org

Re: File Reference No. 2017-280

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on the proposed ASU, *Consolidation (Topic 812) – Reorganization*. We support the Board's objectives to improve the understandability, navigability, and clarity of the consolidation guidance, and we believe the Board's proposed approach will accomplish these objectives.

Overall, we agree with the Board's proposals to create Topic 812 with separate Subtopics for variable interest entities (VIEs) and voting interest entities, to eliminate the guidance currently in Subtopic 810-30 regarding research and development arrangements, and to move the guidance regarding "Consolidation of Entities Controlled by Contract" in Topic 810 to Topic 958. However, we believe the Board should consider making certain further clarifying revisions, particularly with regard to the applicability of the guidance in the VIE Subtopic for not-for-profit (NFP) entities. In our response to Question 4, we have suggested certain revisions to clarify the Board's intention.

Our responses to the questions for respondents are as follows.

Question 1: Would the reorganization of Topic 810 into a new Topic 812 with separate Subtopics for VIEs (Subtopic 812-20) and voting interest entities (Subtopic 812-30) be easier to understand and navigate? If not, please explain what other approaches the Board should consider.

We believe the creation of Topic 812 with separate Subtopics for VIEs and voting interest entities will improve the understandability, navigability, and clarity of the consolidation guidance.

Question 2: Is the guidance for "Consolidations of Entities Controlled by Contract" applicable only for not-for-profit entities and, thus, should be within Topic 958? If not, please explain why.

We believe the guidance regarding “Consolidation of Entities Controlled by Contract” is applicable only for not-for-profit (NFP) entities. We believe non-NFP reporting entities analyzing non-NFP legal entities do not apply this guidance because, if a non-NFP legal entity is controlled by a contract, then the holders of the equity of that legal entity would, as a group, lack power over the legal entity through their voting rights, making the legal entity a VIE. Accordingly, a non-NFP reporting entity analyzing a non-NFP legal entity would apply the VIE guidance, and would never apply the “Consolidation of Entities Controlled by Contract” guidance.

Question 3: Is the consolidation guidance for research and development arrangement currently in Subtopic 810-30 not used in practice and, therefore, should be superseded? If not, please explain why or why not and the types of transactions that may still be within the scope of that Subtopic.

We believe this guidance is not used in practice and should be superseded.

Question 4: Are there any areas or items in proposed Topic 812 that, as reorganized or clarified, are difficult to understand? If so, please describe the areas or items and explain why they are difficult to understand.

Issue 1: Applicability of the VIE Subtopic to NFPs

The applicability of the guidance in the proposed VIE Subtopic to NFPs is an area of frequent confusion. We believe the Board’s intention is that that NFP *reporting entities* should not apply the VIE guidance to any legal entities being analyzed for consolidation and that all reporting entities should not apply the VIE guidance to NFP *legal entities* being analyzed for consolidation. However, proposed paragraph 812-10-15-4 (extant paragraph 810-10-15-5) does not clearly articulate the Board’s intention.

The first sentence in paragraph 15-4 says, “The application of this Topic **by** ... (NFPs)” (emphasis added), suggesting that this paragraph is referring to NFPs that are *reporting entities*, as reporting entities apply the consolidation guidance. This interpretation appears to be consistent with extant paragraph 958-810-15-4(a).

However, the second sentence in proposed paragraph 812-10-15-4 refers a NFP to paragraph 812-20-15-7(a) (extant paragraph 810-10-15-17(a)), which states that NFPs are among certain *legal entities* exempted from the guidance of the proposed VIE Subtopic. As the term *legal entity* refers to an entity being evaluated for consolidation by a *reporting entity*, some currently read paragraph 812-10-15-4 to mean that only NFP *legal entities* are exempted from the VIE Subtopic, while NFP *reporting entities* should apply the VIE Subtopic to legal entities that are not NFPs.

Additionally, upon moving the “Consolidation of Entities Controlled by Contract” guidance to Topic 958, Subtopic 958-812 would contain all guidance relevant for consolidation by NFP reporting entities and of NFP legal entities (except for NFP legal entities created to circumvent the VIE Subtopic).

To clarify these points, we recommend the following amendments to proposed paragraphs 812-10-15-4 and 958-812-15-4(a):

812-10-15-4 The application of this Topic by reporting entities that are not-for-profit entities (NFPs) as defined in Topic 958 is subject to additional the guidance in Subtopic 958-812. Additionally, NFPs should not be evaluated for consolidation pursuant to the VIE Subsection unless the NFP is ~~However, NFPs shall assess whether they are~~ within the scope of paragraph 812-20-15-7(a).

958-812-15-4(a) An NFP with a controlling financial interest through direct or indirect ownership of a majority voting interest in a for-profit entity that is other than a limited partnership or similar legal entity shall apply the guidance in ~~Topic~~ Subtopic 812-30. However, in accordance with paragraph ~~812-10-15-4 812-20-15-7~~, NFPs are typically not subject to Subtopic 812-20 on variable interest entities.

Issue 2: References to “other GAAP”

Proposed paragraph 812-10-15-7 states that when a scope exception in ASC 812-10-15-6 applies, a reporting entity “shall consider whether other GAAP is relevant.” Similarly, proposed paragraph 812-20-15-7(d) states that when the business scope exception to the VIE Subtopic guidance applies, “for legal entities that are excluded by this provision, other (GAAP) shall be applied.”

In both cases, it is unclear to what “other GAAP” the Board is referring. We believe that the Board should either make specific mention of the “other GAAP” it has in mind or remove the general reference to “other GAAP.”

Issue 3: Fees to service providers that are variable interests

Proposed paragraph 812-20-25-21 describes how interests held by related parties to the decision maker should be considered when evaluating whether a fee paid to a decision maker is a variable interest. The first sentence of that paragraph says that “any variable interest” held by

a related party should be considered. However, the second sentence in the same paragraph says that only “indirect variable interests held through related parties, considered on a proportionate basis” would impact the analysis in paragraph 812-20-25-18. We recommend the following revision to paragraph 812-20-25-21 to clarify these issues / this issue:

812-20-25-21 For purposes of evaluating the conditions in paragraph 812-10-25-18, ~~any variable interest in an entity that is held by a related party of the decision maker or service provider should be considered in the analysis. Specifically,~~ a decision maker or service provider should include its direct variable interests in the entity and its indirect interests in the entity held through related parties, considered on a proportionate basis...

Additionally, proposed paragraph 812-20-25-20 states that fees or payments that expose the decision maker or service provider to risk of loss should not be analyzed under paragraph 812-20-25-18. However, it does not explicitly state what guidance does apply, which could be a source of confusion, especially since 812-20-25-18 is itself written in the negative. We believe paragraph 812-20-25-20 could be simplified as follows:

812-20-25-20 Fees or payments in connection with agreements that expose a reporting entity (the decision maker or service provider) to risk of loss in the VIE ~~would not be eligible for the evaluation in paragraph 812-20-25-18~~ are variable interests. Those fees include...

Question 5: Given that the Board does not anticipate changes to accounting for consolidation or changes in outcomes reached as a result of the amendments in this proposed Update, should transition guidance be provided? If so, please explain what changes in this proposed Update may cause changes in practice or outcomes.

We do not believe the amendments in the proposed Update will result in changes to accounting for consolidation or changes in outcomes reached under the consolidation analysis. However, we believe it is prudent to provide transition requirements in the event there are unintended consequences.

Question 6: Do you agree with the proposed transition requirements in paragraph 812-30-65-1? If not, what transition approach would be more appropriate?

We agree with the transition requirements proposed.

Question 7: Should a reporting entity be required to provide the transition disclosures specified in the amendments in this proposed Update? Should any other disclosures be required? If so, please explain why.

We believe that an entity should be required to provide transition disclosures but that disclosures beyond those required in proposed paragraphs 250-10-50-1 through 50-2 (excluding paragraph 50-1(b)(2)) should not be required.

Question 8: Should the effective date be the same for both public business entities and entities other than public business entities?

We believe early adoption of the guidance should be permitted for all entities. We also believe that, as suggested in the Private Company Decision Making Framework, a deferred effective date should be provided for entities other than public business entities, and the final standard should therefore be effective for such entities one year after the first annual period for which public business entities would be required to adopt the new guidance.

We would be pleased to discuss our comments with you. If you have any questions, please contact Graham Dyer, Partner, at 312.602.8107 or Graham.Dyer@us.gt.com.

/s/ Grant Thornton LLP (typed)