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December 4, 2017

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

File Reference No. 2017-280
Re: Proposed Accounting Standards Update, *Consolidation (Topic 812): Reorganization*

Dear Ms. Cosper:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Consolidation (Topic 812): Reorganization.*

We acknowledge that the consolidation guidance in ASC 810 is complex and often misunderstood by preparers, practitioners, and other stakeholders. Therefore, we support the FASB's efforts to reorganize the standard to improve readability and navigation. However, we believe that the proposed ASU, as released, will introduce unintended cost and complexity for stakeholders for the reasons outlined below.

Mapping

We do not view the proposed ASU to be a new accounting standard with new guidance. Rather, we understand the proposed ASU to be a reorganization of existing guidance. The proposed ASU does not provide a map between paragraphs in ASC 810 and the corresponding placement in the proposed ASU. We believe that it will be a burdensome task for stakeholders to amend their previously documented consolidation conclusions to replace ASC 810 citations with references to ASC 812, particularly if conclusions are not expected to change.

In addition, stakeholders will no longer have a referencing tool to determine the corresponding original pronouncements for each paragraph. When the *FASB Accounting Standards Codification* (the "Codification") was issued, the FASB provided a reverse-look-up reference tool that references to the original pronouncement for every paragraph as well as a quick-reference guide for locating the codified guidance. The reverse-look-up reference tool continues to be very useful today because it allows stakeholders to refer back to the basis for conclusions of original pronouncements. If the proposed ASU is released without a mapping mechanism, the link to the original pronouncements will be lost. This will make it difficult for stakeholders to research the basis of the guidance, which is often helpful when they are interpreting the standard. Given that ASC 810 includes a mix of more than 10 original pronouncements rather than one comprehensive standard, a map is even more useful to understand the basis for conclusions of the original guidance.

We believe that it is critical for the FASB to provide a mapping tool that will allow users to (1) update references within existing consolidation analyses and (2) refer back to original pronouncements for the basis for conclusions of relevant paragraphs. Without this tool, we believe that there will be unnecessary costs incurred by stakeholders to implement the proposed ASU, particularly if the Board does not expect conclusions to change.

Amendments to Existing Paragraphs

We support making minor amendments to the consolidation guidance to improve stakeholders' understanding of the guidance. However, we are concerned that (1) amendments are not readily apparent to readers and (2) the changes may result in changes in interpretations because of the complexity of the standard. Through our review, we have identified various paragraphs that include proposed amendments that we believe may result in a change in outcomes (discussed further below). Further, it is unclear whether our review comprehensively identified all paragraphs that were amended in the proposed ASU given that changes to existing paragraphs are not underlined or struck out.

We strongly encourage the Board to identify all changes to existing paragraphs. In making this recommendation, we note that in September 2017, the FASB issued technical corrections and improvements to recently issued standards (File Reference No. 2017-300), which include both the map and the changes identified (e.g., underlined for additions or struck out for deletions). Given that the proposed ASU represents a reorganization of existing guidance, we believe that it is necessary for the FASB to follow the protocol stakeholders have come to expect when it makes amendments to existing guidance.

In addition, we believe that there are other opportunities to improve the readability of the consolidation standard, particularly related to the guidance on legal entities and silos (see below for silos).

Refer to our responses in Appendix A for (1) specific examples of amendments that we believe may result in changes in outcomes and (2) other opportunities for improvement (including legal entities).

Internal Referencing

We noted inconsistencies in the internal referencing through our review of the proposed ASU. We believe that this is a critical aspect of the proposed ASU given the purpose of the project. We have summarized the inconsistencies identified in Appendix A and provided additional details in Appendix C. We caution the Board that the list may not be complete given the nature of our review, and we encourage the FASB staff to perform additional due diligence on references within the proposed ASU.

Silo Guidance

The placement of the silo guidance within ASC 810 has caused significant confusion in practice. The silo guidance (which has been moved to ASC 812-20-25-30 and 25-31) continues to be after the variable interest in specified asset guidance (which has been moved to ASC 812-20-25-28 and 25-29). Although the concepts regarding variable interests in specified assets and silos have some similarity and relevance to each other, they are not the same and should be organized in a manner consistent with the consolidation flowchart and decision process.

We do not believe the assessment of whether a silo exists is a question of whether an entity has a variable interest, which is what the placement of paragraphs ASC 812-20-25-30 and 25-31 implies, because the concepts are directly after paragraphs ASC 812-20-25-28 and 25-29. Rather, we believe the existence of silos represents the second gating question in the consolidation analysis and should be considered after evaluating if an entity is a legal entity. Therefore, we believe that ASC 812-20-25-30 and 25-31 should be relocated to the scope section just after paragraph ASC 812-20-15-5 to adequately identify that silos are, in substance, a separate structure that could be consolidated separate from the broader VIE (i.e., the "host"). While the purpose of the reorganization is for a stakeholder (especially one that isn't familiar with the complexities of the consolidation framework) to be able to perform a consolidation analysis in the most logical order, the current placement may result in a reporting entity not properly considering and identifying silos. That is, if performing the consolidation analysis based on the framework of ASC 812, it is likely that a user will never read these paragraphs because the concept is not apparent in the consolidation flowchart or scoping sections.[1] Consider the following example:

> Potential VIE X (a legal entity) has three groups of assets (that are not separate legal entities in and of themselves) representing 40 percent (A), 35 percent (B), and 25 percent (C) of X. Each potential variable interest holder has interests only in the respective group. Investor G has an investment in an asset of A that represents 55 percent of A's assets.
>
> We believe that the sequence should be for an entity to ask the following questions:
>
> 1. Are asset groups A, B, and C silos? (Based on our suggestion, this would be addressed in scope.)
> 2. If yes, does Potential VIE X "host" represent a VIE?
> 3. Does G have a variable interest in A or an interest in specified assets? Since G's investment represents 55 percent of A, it would have a variable interest in A. (Based on our suggestion, this would be addressed in the identifying variable interest step.)
>
> If G asked Question 3 before identifying whether A was a silo (Question 1), it would have inappropriately concluded that it simply has a variable interest in specified assets, because A represents less than 50 percent of X's assets. We do not believe that that is the correct outcome because once it is concluded that A is a silo, A must be assessed as a separate entity that could be consolidated by G.

We encourage the Board to insert the two paragraphs that are at proposed paragraphs ASC 812-20-25-30 and 25-31 below ASC 812-20-15-5. Refer to Appendix B for further comments on paragraphs ASC 812-20-25-28 and 25-29.

Interaction With Recently Issued Standards

The proposed ASU also presents pending content related to recently issued standards, including ASU 2014-09,[2] ASU 2016-02,[3] and ASU 2016-13,[4] as current requirements.

Depending on the effective date, this proposed ASU may be adopted before an entity has adopted ASU 2014-09 (ASC 606), ASU 2016-02 (ASC 842), or ASU 2016-13 (ASC 326). Accordingly, if an entity were to adopt the proposed ASU before adopting these standards, ASC 812 would not include the relevant guidance for the existing standards. We suggest that the Board include guidance related to the existing standards prior to being superseded by the aforementioned other standards if this proposed ASU is adopted before the other ASUs.

Other Matters

We have identified other comments, which we have included in Appendix B. Although the comments individually may not be as significant as our comments above, collectively, we believe that they raise concerns regarding the overall operability of the proposed ASU. Accordingly, we strongly encourage the Board to consider our comments and amend the proposed ASU as needed.

Overall Consolidation Framework

Although we support the Board's initiative, we continue to believe that the Board could simplify the consolidation requirements by establishing a single consolidation model. We believe that rather than reorganize existing guidance, the best opportunity for the Board to simplify the guidance is by aligning the consolidation model for variable interest entities (VIEs) with that for other entities, which would eliminate inconsistencies and reduce

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[1] For this reason, we (as well as our competitors) have discussed the silo concepts independent of our guidance on variable interests in specified assets to alleviate the concern of error in application of the consolidation framework.

[2] ASU 2014-09, *Revenue From Contracts With Customers (Topic 606).*

[3] ASU 2016-02, *Leases (Topic 842).*

[4] ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.*

complexity. Refer to Deloitte's September 5, 2017, response to the proposed ASU regarding *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* (File Reference No. 2017-240) for details.

Appendix A contains our responses to the proposed ASU's questions for respondents. Appendix B includes other comments for the Board's consideration, and Appendix C includes comments specifically on references.

We would be happy to share additional perspectives and suggestions with the Board and FASB staff on the matters included in our comment letter.

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We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please contact Brandon Coleman at (312) 486-0259 or Andrew Winters at (203) 761-3355.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

Appendix A
Deloitte & Touche LLP
Responses to Proposed ASU's Questions for Respondents

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 support the Board's initiative to reorganize the guidance in ASC 810 and believe that the proposed approach will make the guidance easier to understand and navigate in the long-term. However, as mentioned previously, we are concerned that without providing a mapping mechanism between ASC 810 and ASC 812, there will be increased cost introduced to stakeholders.

While we agree with the proposed organization into subtopics for the two models, we have the following observations from reviewing the proposed ASU:

Observation	**Detailed Observation**	**Suggestion**
Codification referencing scheme	The sections used in each of the subtopics do not align with the Codification's established referencing approach. For example, the guidance on the determination of whether an entity is a VIE is a scoping concept is included within ASC 812-20-25. But Section 25 is typically used for recognition guidance, not scoping.	We suggest that the Board align the sections in the proposed ASU with the Codification's referencing scheme.
Guidance that is relevant for both consolidation models	There are paragraphs within ASC 810 that are relevant for both models. We believe that the duplication of paragraphs may lead to confusion by stakeholders, but we also acknowledge that an alternative approach is likely to require additional cross-referencing. Therefore, we support the duplication of paragraphs. We observe, however, that the proposed ASU is not consistent when duplicating paragraphs that are relevant to both models (see the "Scoping guidance" comment below for an example). Further, if a paragraph is not duplicated, there is no cross-reference provided to the relevant paragraph in the other subtopic, which should be considered (e.g., the scoping guidance noted below). In certain sections (e.g., the Derecognition section), paragraphs are duplicated. However, in the implementation section, not all paragraphs that would affect the voting interest entity analysis are duplicated within that subtopic. Implementation examples on the determination of whether the entity is a VIE or a voting interest entity are not included within ASC 812-30, even though certain examples conclude the entity is a voting interest entity. For example, proposed paragraph 812-20-55-86 is a series mutual fund example that concludes that Fund A is a voting interest entity. Despite this conclusion, this example is not included in ASC 812-30.	We encourage the Board to follow a consistent approach to enhance the understandability of the proposed ASU.

Scoping guidance	ASC 812-20-25-23 is required for an entity to determine which consolidation model is applicable for each legal entity. In ASC 812-30, paragraph 812-30-25-1 states "if a legal entity is determined not to be a [VIE], a reporting entity shall apply the guidance in this Subtopic to determine whether it has a variable interest in that entity." However, ASC 812-30 does not provide a reference to the relevant paragraph in the VIE section to determine whether the entity is not a VIE.	At a minimum, we believe that providing a cross-reference to the relevant paragraph is critical to improve the understandability and navigation of the standard. See comment above regarding duplicated paragraphs.
Conforming updates — cross-references to ASC 812	In Section B of the proposed ASU, the updated cross-references to ASC 812 reference to only the relevant paragraph in one of the subtopics. However, many of the references refer to paragraphs that are duplicated in the two subtopics. Stakeholders may review the reference and incorrectly determine that the paragraph is not relevant on the basis of the respective consolidation model of the subtopic.	We believe that it is necessary to reference to the relevant paragraph in both subtopics when paragraphs are duplicated so it is clear that the guidance is relevant to both models and users understand where the guidance is located.
Referencing	Through our review, we identified instances in which cross-references between paragraphs that existed in ASC 810 were no longer included in the relevant paragraph in ASC 812. Given that the project's objective is to improve usability, we do not understand why references that existed in ASC 810 would not be included in ASC 812. In addition, we identified inconsistencies in the proposed ASU's approach to referencing sections of paragraphs. Some references refer to the entire relevant section, whereas other references refer to a subset of a section. We believe that cross-references within ASC 812 should be consistent unless an inconsistency is intended. For example, the guidance on the determination of whether an entity is a VIE is within ASC 812-20-25-22 to 25-60. The proposed ASU often references to ASC 812-20-25-24 to 25-60; however, ASC 812-20-25-22 to 25-23 are critical to this step of the analysis. We also identified various references that we believe are incorrect. Refer to Appendix C for incorrect references identified.	We strongly encourage the Board to include all references that were previously included in ASC 810 and update those references to the relevant paragraph in ASC 812. We have provided a list of such references that we identified through our review in Appendix B. We encourage the Board to review all references to sections of paragraphs to ensure consistency or evaluate that any inconsistencies are intended. We encourage the Board to review all cross-references and not rely on the examples provided as a complete list.

We have included additional detailed comments within Appendix B for the Board's consideration. As noted above, these comments are not individually significant; however, we believe that collectively, they may result in the inoperability of the proposed ASU.

Question 2: Is the guidance for "Consolidation 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 agree that the guidance for "Consolidation of Entities Controlled by Contract" is applicable only for not-for-profit entities and should be included within ASC 958.

Question 3: Is the consolidation guidance for research and development arrangements 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 are not aware of the use of the consolidation guidance for research and development arrangements in ASC 810-30. Therefore, we support superseding this guidance.

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.

We have identified various areas of proposed ASC 812 that are difficult to understand. Given that amendments are not readily apparent (see our comment above regarding underlining and strikethroughs), we caution the Board that this may not be a comprehensive list.

Area	Difficulty in Understanding	Suggestion
VIE definition	ASC 812-20-25-23 has been updated to define a voting interest entity. Given the location of the paragraph in the VIE subtopic, it seems out of place that the guidance is defining a voting interest entity. However, we understand that users find the existing paragraph in ASC 810 difficult to understand because of the use of double negatives. We observed various changes to remove the negative language, but the changes appear inconsistent. For example, proposed paragraph 812-20-25-23(c) is identical to the guidance in ASC 810-10-15-14(c), but the introduction of ASC 812-20-25-23 has changed. Under proposed paragraph 812-20-25-23, all criteria must be met (the criteria outlined in 812-20-25-23(a) to 25-23(c)) in order for a legal entity to be a voting interest entity. Given that 25-23(c) has not been amended, we believe that this contradicts the introduction to 25-23 insofar as an entity would not meet criterion (c) to be considered a voting interest entity.	Given the importance of this paragraph, we are concerned that the changes may result in unintended consequences. We encourage the Board to re-evaluate the changes and determine whether any additional changes can be made to clarify the guidance.
Participating rights in the evaluation of whether an entity is a VIE	ASC 812-20-25-32 was added to introduce existing guidance relative to the consideration of participating rights in the evaluation of whether an entity is a VIE. We believe that the language in this paragraph exacerbates complexity in the VIE guidance. Proposed paragraph 25-32 references “the activities of a legal entity that most significantly impact the entity’s economic performance.” While this language is lifted from ASC 812-20-25-23(b)(1)(i), it creates confusion in practice because the evaluation of participating rights is different for nonpartnerships versus partnerships. ASC 812-20-25-32 is referenced in both ASC 812-20-25-23(b)(1)(i) and ASC 812-20-25-23(b)(1)(ii), which is relevant for nonpartnerships and partnerships, respectively. When an entity is considering these rights under ASC 812-20-25-23(b)(1)(i), the assessment of power relates to the entity’s most significant activities. However, when an entity performs the assessment under ASC 812-20-25-23(b)(1)(ii) for partnerships, the assessment relates to decisions in the ordinary	We recommend that the Board either (1) clarify the language in ASC 812-20-25-32 to remove the reference to the activities that most significantly impact the entity’s economic performance or (2) clarify the paragraph to acknowledge the distinction. Further, we believe that this can be best resolved by moving to one consolidation model as noted above in our letter.

	course of business in accordance with the voting interest entity definition. As a result, the reference to "the activities of a legal entity that most significantly impact the entity's economic performance" in ASC 812-20-25-32 is inaccurate since it relates to performing the assessment for partnerships. Accordingly, we believe that this paragraph will expand the confusion and complexity that exist today when an entity considers participating rights for partnerships and other entities.	
Expected losses and expected residual return paragraphs	ASC 810 includes an example in the implementation section on the evaluation of expected losses and expected residual returns. This example is included in ASC 812-20-55-38 to 55-42 in the proposed ASU. We believe that it is important to retain the example to illustrate the concepts and the quantitative calculation, if one were required. However, ASC 812 includes new paragraphs (ASC 812-20-05-2 through 812-20-05-5) intended to clarify the concept of expected losses and expected residual returns. We do not believe that these new paragraphs are necessary given the existing example as cited above; we believe that they should be deleted. We believe that as proposed, ASC 812-20-05-2 through 05-5 overemphasize the quantitative assessment and as a result may lead to unintended changes in practice. Further, there is no introduction to the concept of expected losses and expected residual returns before these new paragraphs, and they do not flow with the other paragraphs included in the VIE Subtopic Overview section. Accordingly, we believe that these paragraphs are out of place. In addition, ASC 812-20-05-5 may be misinterpreted to be a complete list of considerations; however, we do not believe that is the intention. To the extent that ASC 812-20-05-2 through 05-5 are retained, we believe that these paragraphs would be more understandable and useful as an implementation concept because of the paragraphs' detailed nature. In addition, the prominence given to the quantitative assessment may be misinterpreted to suggest that a qualitative assessment is not sufficient or as persuasive as a quantitative assessment. We believe that the language "in this purest form" over-emphasizes the quantitative assessment, which we do not believe was the intention of the proposed ASU.	We encourage the Board to consider removing paragraphs ASC 812-20-05-2 through 05-5. If the Board does not remove them, we encourage it to (1) move the paragraphs to the implementation section, (2) amend the language to place greater emphasis on the qualitative assessment, (3) remove the language "in the purest form" in ASC 812-20-05-4, and (4) amend the language in ASC 812-20-05-5 to state that the considerations "include but are not limited to the following."
Legal entity definition	The consolidation guidance is limited to a reporting entity's involvement with another legal entity. We believe that this is an important scoping consideration, especially with the clarification that a	We encourage the Board to add guidance on the identification of a legal entity, specifically including series funds, within the scope

	"series" may be its own legal entity rather than within an entity. Currently, this concept is included only in the Overview and Glossary sections. As a result, stakeholders may not comprehend the importance of the question. Accordingly, we believe that it would improve understandability of the standard if the Board were to provide an additional scoping question and guidance regarding the identification of a legal entity. We also note that a clarification of legal entity is provided in ASU 2015-02 in the proposed ASU's Basis for Conclusions. Without some linkage in ASC 812, this may be lost to users of the reorganized consolidation guidance.	section of ASC 812-10.

Transition

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.

Given the purpose of the reorganization project and the expectation that it will not have any impact on outcomes, we would not expect transition guidance to be necessary. However, any changes to an existing standard have the potential to affect interpretations and, given the challenges in reviewing the proposed ASU outlined above, we believe that there is a potential that changes in outcomes will occur as a result of the proposed amendments. Such items would include those identified above, including the amendments to the VIE definition and the additional guidance on expected losses, expected residual returns, and participating rights, as discussed in our response to Question 4. Accordingly, we believe that the Board should provide transition guidance.

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?

Given the purpose of the reorganization project, we would not expect the transition requirements to be necessary. However, given our response to Question 5, we support the Board's providing transition guidance. We believe, however, that adoption should be applied on a prospective basis.

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.

Given the purpose of the reorganization project, we would not expect the transition disclosures to be necessary. However, given our response to Question 5, we support the Board providing transition guidance. We agree that a reporting entity should be required to provide the transition disclosures specified in the proposed ASU.

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

We believe that the effective date should be the same for both public business entities and entities other than public business entities because we do not believe that there is a basis to have a delayed effective date for entities other than public business entities. However, we also would not object if the Board were to delay the effective date for those entities. Given the developments at the July 20, 2017, EITF meeting and the SEC staff's announcement, we encourage the Board to specify the effective date for (1) SEC registrants and (2) non-SEC registrants.

Question 9: How much time would be needed to implement the proposed amendments? Should entities other than *public business entities be provided with more time? If so, how much more time?*

Given the complexity of the standard and the fact that changes are being made to the standard that are not readily apparent, we believe that a minimum of one year is needed to implement the proposed amendments. Companies would need to update their documentation for their consolidation analyses, regardless of whether their consolidation conclusions have changed. Further, as mentioned above, the proposed ASU also presents pending content related to recently issued standards, including ASU 2014-09, ASU 2016-02, and ASU 2016-13, as current. Please refer to our comment above for additional consideration regarding other recently issued standards.

Appendix B
Other Comments

Paragraph Reference	Comment	Suggested Solution
Glossary	We believe that one central glossary for ASC 812 would be simpler and easier to follow than a separate glossary for each subtopic.	Create one master glossary for ASC 812.
812-10-05-4	The following sentence in this paragraph should be updated as suggested in the column to the right: “Consolidation is not required if a scope exception from Topic 812 in its entirety applies, but a reporting entity shall consider whether other generally accepted accounting principles (GAAP) **is** relevant.”	Update as outlined below. “Consolidation is not required if a scope exception from Topic 812 in its entirety applies, but a reporting entity shall consider whether other generally accepted accounting principles (GAAP) **are** relevant.”
812-10-05-10	In footnote 2 of the flowchart, “all” is incorrectly struck out.	Do not strike out “all” in footnote 2.
812-10-15-6(d)(2)	This paragraph represents disclosure requirements if the reporting entity is applying the scope exception for money market funds. It is unusual for disclosure requirements to be within the scoping section of a standard.	Move this paragraph to the disclosure subsection, and add a reference in this paragraph to the related disclosure requirement.
812-20-15-6	The first sentence of this paragraph is circular because the definition of parent includes the primary beneficiary of a VIE.	Insert “legal” before parent and remove link to the master glossary.
812-20-15-7(d)(1)	When codifying FIN 46(R), the Board moved the language that states “(all parties identified in paragraph 812-20-25-3, except for de facto agents under paragraph 812-20-25-3(d))” into 15-17(d)(1), but it originally applied to all the criteria. In practice, we have continued to interpret that the related-party guidance applies to all of the subconditions (i.e., is applicable to 15-17(d)(2) through 15-17(d)(4) as well).	Move this language into paragraph 812-20-15-7(d) since it applies to all items listed below.
812-20 Glossary “Business”	This paragraph does not include the pending content related to ASU 2017-01. All other areas in which there is pending content appear to have adopted the pending content as current content, so the exclusion in this case seems odd.	Add back pending content.
812-20 Glossary “Expected Losses”	The last two sentences of this definition do not appear to define “expected losses.”	Consider removing the last two sentences of the “expected losses” definition.
812-20 Glossary “Security (second definition)”	The glossary term “security (second definition)” was added to the Exposure Draft. It is unclear why this term was added, since it is not linked anywhere in the Exposure Draft.	Remove glossary term.

812-20-25-1 (b)(1)(i)	The only example of a variable interest listed in this paragraph is the fees paid to decision makers or service providers. It seems that there would be other relevant examples to be provided.	It is not clear why only one type of variable interest is given as an example. We would suggest that the Board either delete this example or list all of the variable interests illustrated.
812-20-25-1(c) and 25-1(d)	Bullet (c) does not reference the guidance on how to identify a variable interest entity (812-20-25-22 through 25-23). Further, bullet (d) does not reference to the identification of the primary beneficiary (paragraphs 812-20-25-45 through 25-47).	Add to bullet (c) a reference to paragraphs 812-20-25-22 to 20-23. Also, add to bullet (d) a reference to paragraphs 812-20-25-45 through 25-47.
812-20-25-15	This paragraph contradicts the flowchart and the existing guidance. We assume that it was codified with FSP FIN 46R-6, but this paragraph does not make sense in the context of the current guidance. That is, there are clearly variable interests in voting interest entities.	Remove this paragraph.
812-20-25-16	The language “is compelled to protect” may still be interpreted to mean “is required to protect.” In addition, we note that paragraphs 810-10-25-49 through 25-51 and paragraphs 810-10-25-53 through 25-54 related to implicit variable interests have been deleted.	Amend language to say “would reasonably be expected.” Further, add back existing paragraphs 810-10-25-49 through 25-51 and 810-10-25-53 through 25-54.
812-20-25-18	We would recommend emphasizing that if the fee arrangement is not a variable interest, the decision maker cannot have power. That is, it is acting as a fiduciary. Pulling this concept from the Basis for Conclusions of FAS 167 and 2015-02 would be very helpful in clarifying this guidance.	Add language stating that if the fee arrangement is not a variable interest, the decision maker cannot have power.
812-20-25-28 and 25-29	These paragraphs should be considered earlier in the analysis and seem out of place after guidance on reconsideration events.	Move these paragraphs to be after paragraph 812-20-25-17.
812-20-25-32	The header for this section (“The Effect of Noncontrolling Rights on the Power to Control a Legal Entity”) is not accurate because this guidance is used to determine whether the equity holders lack power.	Update header to be “The Effect of Noncontrolling Rights on Consolidation.”
812-20-25-47	It is unclear to us why the addition was made to the last sentence of this paragraph. Shared power is not the only scenario in which a legal entity would not be consolidated. For example, it would also be the case when a majority vote entity has no one that owns a majority.	Remove the addition to the last sentence of this paragraph.
812-20-25-50	There are other scenarios in which a reporting entity would not consolidate a legal entity other than just shared power.	Update to remove implication that only the existence of shared power would result in a reporting entity not consolidating a legal entity.
812-20-25-60	This paragraph seems out of place since it really relates to the private company scope exception.	Consider relocating paragraph or adding a header to clearly differentiate the topic.

812-20-50	The disclosure requirement in 812-30-50-1 is not included in the disclosure requirements of 812-20. However, we believe it would apply to a VIE as well.	Add disclosure requirement in paragraph 812-30-50-1 to subsection 812-20-50.
812-20-50-5	The new lead-in to this paragraph as well as the new heading is unnecessarily confusing.	Change heading to "All Variable Interest Holders." Update lead-in to the paragraph to state, "All reporting entities that hold variable interests in a variable interest entity shall disclose all of the following:"
812-20-55-83	This paragraph does not appear to be updated to reflect the change in the definition in paragraph 812-20-25-23, which now defines a voting interest entity rather than a variable interest entity. Accordingly, the sentence below should be updated to say "would not" rather than "would". *Assuming the limited partners do not possess substantive participating rights, the limited partnership would meet the condition in paragraph 812-20-25-23(b)(1)(ii), meaning the partners would lack the power through voting rights or similar rights to direct the activities of the partnership that most significantly impact the partnership's economic performance because more than a simple majority of kick-out rights through voting interests is required to remove the general partner.*	Update the referenced sentence to say "would not" rather than "would". We would also suggest ensuring there are no other instances in the implementation guidance where a similar edit might be required due to the updates made to paragraph 812-20-25-23.
812-20-55-86	This example (Example 7: Example of a Series Mutual Fund) seems out of place as there would have previously been no thought of this in the context of the legal entity definition. In addition, this represents implementation guidance for all legal entities, not just VIEs.	Consider expanding the definition of a legal entity, or adding additional considerations in the overall scope section. In addition, this example should be added to the voting interest entities section.
812-20-55-218 through 55-220	Case K appears to be out of place as one of the Primary Beneficiary implementation guidance examples. It is not a Primary Beneficiary assessment as there is no variable interest. It would seem better placed in the implementation guidance for identifying a variable interest.	Move this example to be with the other variable interest examples.
812-20-55-233	This content in proposed ASC 812-20 and proposed ASC 812-30 is duplicated. However, in 812-30 the heading "Deconsolidation of a Subsidiary" precedes the examples. For consistency, add heading to 812-20 as well.	Add heading to 812-20 to ensure consistency with 812-30.

812-30-25-1	This paragraph simply states, "If a legal entity is determined not to be a variable interest entity (VIE), a reporting entity shall apply the guidance in this Subtopic…" However, it would seem the average user of the codification could not conclude that a legal entity is not a VIE without at least referring to paragraph 812-20-25-23. We believe a reference to that paragraph should be added.	Add reference to paragraph 812-20-25-23.
812-30-25-1	The flowchart in paragraph 812-30-25-1 still refers to the "voting interest model," while all other references in the standard are to the "voting interest entity model".	Update flowchart to refer to the "voting interest entity model."
812-30-25-1	This paragraph is currently worded such that it would imply this subtopic only applies to those entities deemed not to be VIE's. However, it would also apply to entities that were scoped out of the VIE Subtopic in its entirety.	Update this paragraph to indicate this Subtopic also applies to reporting entities that are scoped out of the VIE Subtopic.
812-30-25-1 (Flowchart)	The flowchart is not accurate because if no majority voting interest exists, you would continue the analysis to see if control is through a lesser percentage. In the first diamond, there is no "OR" in between the questions (as in the second diamond).	Add another step to the flow chart. In the first diamond, add "OR" in between the questions similar to the second diamond.
812-30-25-4	A large portion of paragraph 812-30-25-4(a)(1)(iv) appears to be missing (formerly 810-10-15-10(a)(1)(iv)). It is unclear to us why this would have been removed.	Include the last half of former paragraph 810-10-15-10(a)(1)(iv).
810-10-25-4	It appears as though former paragraph 810-10-25-4 has not been included in the reorganized voting interest entity Subtopic (paragraph included below). While we agree that item (b) is not necessary due to reorganization of this guidance into a separate Subtopic for voting interest entities, we believe that item (a) is still relevant and should be added back to the standard. The guidance in paragraphs 810-10-25-2 through 25-14 on noncontrolling rights does not apply in either of the following situations: a. Entities that, in accordance with GAAP, carry substantially all of their assets, including investments in controlled entities, at fair value with changes in value reported in a statement of net income or financial performance b. Investments in variable interest entities (VIEs) (see the Variable Interest Entities Subsection of Section 810-10-15).	Include paragraph 810-10-25-4(a).

958-812-05-5	This paragraph is not used. Since the Board is reorganizing the complete standard, it should take the opportunity to delete these unused paragraphs. This issue occurs several times throughout the industry section.	Delete paragraph and review remainder of industry section to delete unnecessary paragraphs.

Appendix C
Referencing Comments

Below we have outlined references that we believe to be incorrect. We have included (1) the paragraph where the reference is contained in the proposed ASU, (2) the proposed reference, and (3) our suggested reference (assuming that no changes are made to the order of paragraphs).

Paragraph	Proposed Reference	Suggested Reference
812-10-05-4	The sentence "A reporting entity shall apply the guidance in Subtopic **812-20** to determine whether it shall consolidate another entity if a scope exception from Topic 812 does not apply but a scope exception from Subtopic 812-20 applies" has an invalid reference to "812-20."	The first instance of "812-20" should be to "812-30."
812-10 Glossary "Variable Interests"	812-20-55-9 through 55-22	812-20-55-7 through 55-22
812-20 Glossary "Variable Interests"	812-20-55-9 through 55-22	812-20-55-7 through 55-22
812-20-40-7	812-20-40-5	812-20-40-4 through 40-5
812-20-50-4	(a) through (b)	(a) through (c)
812-20-50-9	810-10-15-11	812-20-15-11
812-20-50-10	810-10-50-9(d)	812-20-50-9(d)
812-20-55-3	810-10-50-9 through 50-11	812-20-50-9 through 50-11
812-20-55-6	810-10-50-9 through 50-11	812-20-50-9 through 50-11
812-20-55-146	812-20-25-34	812-20-25-47
812-20-55-233	812-20-45-25	812-20-45-26
812-30-45-27	Example 1	Example 3
Master Glossary — Primary Beneficiary Definition	812-20-25-46	812-20-25-45
220-10-55-1	812-30-55-237	812-20-55-237
460-10-60-14	812-30-45-17	812-20-45-18
805-20-35-8	812-30-55-233	812-20-55-233
830-30-40-1A(a)	812-30-55-235	812-20-55-235
954-812-15-2	812-20-15-3 and 812-20-15-14	The paragraph previously referenced in bullets (a) through (c) (paragraph 810-10-15-3) seems to have been deleted. The new reference to "812-20-15-3" does not appear correct, and it appears as though it should be to "812-10-05-4 through 05-6." In addition, in (a) there is a reference to paragraph "812-20-15-14" that does not exist. We believe that this should be changed to paragraph 812-20-25-23.
954-812-45-2	812-20-25-44 through 25-47	812-20-25-57 through 25-60 and 812-20-25-3
974-323-15-3	812-10	812-20

There are some cross-references from ASC 810 that the proposed ASU has removed. We believe, however, that they should not have been removed. Below we have indicated (1) the paragraph in the proposed ASU that should contain the cross-reference, (2) the previous cross-reference from ASC 810, and (3) our suggested cross-reference in ASC 812 (assuming that no changes are made to the order of the paragraphs).		
Paragraph	**Previous Cross-Reference**	**Suggested Cross-Reference**
812-20-25-4	810-10-25-38A	812-20-25-47 OR 812-10-05-3 through 05-5.
812-20-25-41	810-10-55-1	812-20-55-75
812-20-45-1	810-10-45-8	812-20-45-5
812-20-50-6(d)	810-10-25-49 through 25-54	812-20-25-16
812-20-55-25	810-10-55-23	812-20-55-10
812-30-25-15	810-10-55-1	812-30-55-1
812-30-25-18	810-10-25-14A	812-30-25-16
812-30-25-18	810-10-55-4N through 55-4W	812-20-55-76 through 55-85
812-30-45-1	810-10-45-8	812-30-45-5