



June 28, 2019

Shayne Kuhaneck  
Acting Technical Director  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: FASB May 6, 2019 Exposure Draft, Disclosure Improvements: Codification Amendments in Response to the SECs Disclosure Update and Simplification Initiative [File Reference No. 2019-600]**

Dear Mr. Kuhaneck:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

Since TIC's primary focus is on firms that provide services to private companies, TIC's comments in this letter are focused mainly on the ED provisions related to private companies. Therefore, TIC has only responded to those questions and proposed amendments that impact private companies.

***Question 1: Do you agree with the amendments to the Codification in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.***

TIC generally agrees with the disclosure requirements proposed in this ED, with the exception of the proposed amendment to ASC 470-10-50-7 related to disclosing the weighted average interest rate on short term borrowings. TIC's detailed response on this issue is noted in our response to question 2. TIC also disagrees with the requirement proposed in paragraph 810-10-50-1C that would require that an entity disclose the names of newly consolidated or deconsolidated entities. TIC provides a more detailed response and rationale for the proposed removal in our response to question 6.

**Question 2:** *Would the proposed amendments result in decision-useful information? Please explain why or why not.*

With regard to the proposed changes in ASC 815, TIC believes for entities that are already transacting and applying the guidance under ASC 815, this additional disclosure requirement results in decision-useful information.

TIC does not agree with the proposed requirement for private companies to disclose the weighted-average interest rate on short-term borrowings as proposed in ASC 470-10-50-7.

Section 2.3 of the Private Company Decision-Making Framework (PCDMF) provides considerations for determining disclosure requirements for private companies. One of those considerations is given the resource constraints of many private companies, the cost of preparing, auditing, reviewing, or compiling the information to be disclosed.

To further this point, BC 19 of the ED noted that the Board considered whether an exception for entities other than public business entities is warranted for the proposed requirement to disclose the weighted-average interest rate on short-term borrowings (that is, the proposed amendment in paragraph 470-10-50-7) on the basis of feedback from the Private Company Council (PCC). Feedback from PCC members who are preparers indicated that the proposed requirement to disclose the weighted-average interest rate for short-term borrowings could be costly and complex to prepare. PCC members (both preparers and users) also noted that users can estimate the weighted-average interest rate on their own by using other available information in the financial statements. TIC agrees with this sentiment and would suggest the Board consider removing this disclosure requirement for private companies.

**Question 3:** *For entities other than public business entities, are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability concerns and why?*

TIC believes for entities other than public business entities, the proposed disclosure requirements are operable (with the exception of the proposed requirements in ASC 470-10-50-7 as noted in the preceding response to question 2 and the proposed requirements in ASC 810-10-50-1C as noted in response to question 6) and auditable.

**Question 4:** *For entities other than public business entities, would any of the proposed disclosure requirements impose significant incremental costs? If so, please describe the nature and extent of the additional costs.*

TIC does not believe that the proposed disclosure requirements would impose significant incremental costs for private companies (with the exception of the proposed requirements in ASC 470-10-50-7 as noted in the preceding response to question 2).

**Question 5:** *The proposed amendment to paragraph 850-10-50-4A would not apply to entities other than public business entities. Do you agree with this proposed scope? Are there other proposed disclosure requirements that entities other than public business entities should not be required to apply? If so, please explain why.*

Yes, TIC believes it is appropriate for the amendments to paragraph 850-10-50-4A to only apply to public business entities. TIC could not think of any additional disclosure requirements that should apply to private companies with regard to the proposed scope of this ED.

**Question 6:** *The proposed amendment to paragraph 810-10-50-1C would require that an entity disclose the names of newly consolidated or deconsolidated entities. Would this proposed disclosure requirement impose incremental costs for entities other than public business entities? If so, please describe the nature and extent of the additional costs.*

TIC does not believe providing specific names of legal entities that are newly included or excluded in the financial statements is necessary for private companies, as there is no existing requirement for private companies to disclose specific legal names of entities other than the reporting entity under any other circumstances that TIC is aware of. TIC believes existing disclosure requirements in GAAP including those required for Business Combinations, Change in Reporting Entity, and Discontinued Operations sufficiently notify the user of private company financial statements when the reporting entity consolidates a new entity or deconsolidates an existing entity and more specific information may be obtained directly from management as necessary.

TIC believes that an unintentional consequence of this proposed disclosure may be that the entity is now required to disclose proprietary information that may have a direct impact on their operations. Although TIC does not believe including this disclosure would result in significant incremental costs, TIC would also point out that users of private company financial statements generally have access to management and could find out this information without the entity compromising its competitive advantage. In addition, section 2.3 of the PCDMF notes that in deciding whether to provide disclosure alternatives for private companies, the Board and the PCC should consider the concern of preparers of private company financial statements about disclosing proprietary information.

**Question 7:** *Should the proposed amendments be applied prospectively to financial statements issued after the effective date? If not, what transition method would be more appropriate and why?*

TIC believes that the proposed amendments could be applied prospectively. TIC does not agree with all proposed disclosures as noted in our responses in the preceding. However, for disclosures that remain, TIC believes they should only be required in the current year and prospectively. TIC does not believe the effort required to restate the prior year is worth any benefit that the additional disclosures would provide.

**Question 8:** *How much time would be needed to implement the proposed amendments? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Why or why not?*

If the proposed amendments move forward for private companies, TIC would ask for at least one year of additional time to implement these additional disclosures and, preferably, two years from the date it would be required for PBEs. TIC is aware that the Board currently has an active project on its agenda to review the effective date guidance for all entities going forward and TIC looks forward to the outcome of those discussions. As noted in an unsolicited letter sent by TIC on May 13, 2019, TIC would prefer that the Private Company Decision-Making Framework include a two-year delay for private companies going forward.

**Question 9:** *Should the proposed amendments be finalized if the SEC does not eliminate the referred disclosure requirements in Regulation S-X and Regulation S-K? Why or why not?*

TIC believes the proposed amendments should not be finalized if the SEC does not eliminate referred disclosure requirements in Regulation S-X and Regulation S-K as the objective of some consistency between the standards will not be achieved if these Regulations are not also updated.

**Question 10:** *Do you agree with the Board's decision not to propose amendments to the Codification for certain referred disclosures? If not, please explain why.*

TIC agrees with the Board's decision not to propose amendments to the Codification for certain referred disclosures.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek", with a long, sweeping flourish extending to the right.

Danielle Supkis-Cheek, Chair  
On Behalf of the PCPS Technical Issues Committee