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Via email to director@fasb.org

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

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

Dear Ms. Cospers:

We are pleased to provide comments on the proposed reorganization of the consolidation guidance.

We generally support the Board's efforts to reorganize the consolidation guidance in Topic 810. We believe the proposed changes and creation of a separate Topic 812 will improve the readability of the consolidation guidance.

We note however, that the guidance as reorganized, is still difficult to understand. Therefore, we would support a longer-term project to rewrite the consolidation guidance in "plain English" should the Board wish to do so, as mentioned in the basis for conclusions of the proposed Update. While we recognize that such a project would be labor intensive and time consuming, we believe it would have long-term benefits to practitioners and is consistent with the Board's previous Updates to simplify the accounting guidance.

In the meantime, our responses to the Board's specific questions, which are provided in the Appendix to this letter, include suggested improvements to the reorganization.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Gautam Goswami at (312) 616-4631.

Very truly yours,

BDO USA, LLP

Appendix

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 reorganization of this Topic and believe that the creation of a new Subtopic is helpful - particularly as it improves readability by eliminating the references to guidance that has been superseded. We also believe that separating the guidance between the VIE model and the voting interest model, along with introductory language regarding which model to apply, will be easier to understand and navigate. In addition, we believe reordering the Topic to make it flow more sequentially is helpful.

We noted some instances within the proposed Topic 812 that the logical flow is disrupted or could be improved. Accordingly, we recommend that the Board to consider the following:

- 812-20-25-17 - This paragraph provides examples of variable interests and then refers to paragraphs 812-20-55-9 through 55-22 for additional examples. We believe that moving the additional examples in 812-20-55-9 through 55-22 into the body of the text immediately following 812-20-25-17 would improve readability and reduce confusion. Alternatively, we recommend adding a reference to paragraphs 812-20-55-9 through 55-22 within paragraph 812-20-25-1(b)(1).
- 812-20-25-27 through 25-31 - These paragraphs ("Reconsideration of Initial Determination of VIE Status" and "Variable Interests in Specific Assets of a VIE") interrupt the logical flow by separating the criteria for determining whether an entity is a VIE from guidance to help clarify such criteria. We recommend moving these paragraphs elsewhere in the document so that paragraphs 812-20-25-32 through 25-44 can be placed directly after paragraph 812-20-25-26, as they provide guidance that clarifies the criteria in paragraph 812-20-25-23(b).

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.

Given the VIE guidance's provision for management and service contracts, we have not encountered situations in practice where the guidance on "Consolidation of Entities Controlled by Contract" is applicable to entities other than not-for-profit entities. Therefore we believe that moving that guidance to Topic 958 is appropriate.

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 unaware of situations for which this guidance is applied; therefore, we do not believe superseding this guidance will change practice.

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.

In addition to our observations in response to question 1, we noted the following items for the Board's consideration:

- 812-10-05-3 - The last sentence of this paragraph is difficult to understand. We recommend simplifying the language as follows: "...The guidance for the voting interest entity model is included in Subtopic 812-30 and is applied only after determining that the legal entity being considered is either subject to one of the VIE scope exceptions in ASC 812-20-15-7 or ASC 812-20-15-11 or is not a VIE pursuant to the determination of whether a legal entity is a VIE within the scope of Subtopic 812-20 ~~(or a reporting entity is not within the scope of that Subtopic but is still within the overall scope of Topic 812).~~"
- 812-20-25-2 - We recommend clarifying that if a reporting entity does not have a variable interest in a legal entity, then the reporting entity does not need to perform a VIE analysis. This concept was previously clearly stated in 810-10-25-50 but does not appear to have been transferred into Topic 812. This could be accomplished by the addition of "if so" within 812-20-25-2 as noted here: "...a reporting entity shall determine whether it has a variable interest in a legal entity and, if so, whether that legal entity is a voting interest entity or a VIE. If a legal entity is a VIE, a reporting entity shall determine whether its variable interest (or combination of variable interests) provides it with a controlling financial interest in that legal entity." Otherwise, a literal read of the language in paragraph 25-2 will require a reporting entity to determine whether another entity is a VIE even though the reporting entity lacks a variable interest in that other entity. We do not believe this is the Board's intent.
- 812-20-25-23 - We appreciate the Board's revisions of the language in this paragraph and believe they will improve its readability. However, we note that this paragraph is still challenging to read as it contains multiple caveats, indentations and sub-bullets. Since this paragraph defines whether an entity is a VIE—a key concept in almost every consolidation analysis—we recommend splitting it into multiple paragraphs and perhaps including a flowchart to aid in the application of this guidance.
- 812-20-45 and 812-30-45 - We note that the guidance within these two areas is substantially the same. We recommend that the Board consider moving this guidance into Subtopic 812-10 to eliminate redundancy.
- 812-20-55-83 - We note that there appears to be an inadvertent error in the language that needs to be corrected as a result of changes in the structure of 812-20-25-23(b)(1)(ii). The third sentence appears to be missing the word "not" as follows: "Assuming the limited partners do not possess substantive participating rights, the limited partnership would not meet the condition in paragraph 812-20-25-23(b)(1)(ii)...."

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.

Because the outcomes reached under the reorganized guidance are not expected to change from those reached historically under Topic 810, we do not believe that transition guidance is necessary. We note that by providing transition guidance, it may infer that changes are expected; thus some entities might conclude that they must reassess previous conclusions reached under Topic 810. We do not believe that entities should be required to reassess their application of the consolidation guidance as a result of the reorganization of this Topic.

We do not anticipate changes to the application of the consolidation guidance in practice.

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?

As noted in response to question 5, we do not believe transition guidance is necessary; however, if transition guidance is provided, we agree with the Board's approach. It is unclear, though, why the transition guidance is located in Subtopic 812-30. We recommend the transition guidance be moved to Subtopic 812-10 to avoid confusion regarding whether it is applicable to only voting interest entities.

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.

As previously mentioned, we do not believe proposed Update will have an impact on the application of the consolidation guidance; therefore, transition disclosures should not be necessary.

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

As the proposed Update is not expected to impact the application of the consolidation guidance, we believe it is appropriate to have the same effective date.

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?

As previously discussed, we do not anticipate changes in practice as a result of this reorganization; therefore, we do not believe additional time is needed to implement the proposed amendments, regardless of an entity's status as a public business entity or otherwise.