

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

BDO FLASH REPORT

FASB



► SUBJECT

PROPOSED ASU DEFINING PUBLIC BUSINESS ENTITIES

► SUMMARY

On August 7, 2013, the FASB issued a [proposed Accounting Standards Update \(ASU\)](#) for public comment that would define a “public business entity.” That definition would determine whether a reporting entity is eligible for accounting alternatives developed by the Private Company Council (PCC). Specifically, the proposal would amend the ASC Master Glossary to include one definition of a public business entity for future use in U.S. GAAP. It would also be used to define the scope of FASB’s draft Private Company Decision-Making Framework when that document is finalized. The deadline for submitting comments on the proposed ASU is September 20, 2013. Refer to the [Electronic Feedback Form](#) to provide comments on the Exposure Draft.

► MAIN PROVISIONS

The proposed ASU would not affect existing U.S. GAAP. The proposed definition of a public business entity would only be used by FASB, the PCC and the Emerging Issues Task Force to determine the scope of *future* accounting standards.

The proposal would define a public business entity as a business entity meeting any one of the following criteria:

1. It is required by the SEC to file or furnish financial statements, or does file or furnish financial statements, with the SEC (including other entities whose financial statements or financial information are required to be or are included in a filing).
2. It is required by the Securities Exchange Act of 1934, as amended, or rules or regulations promulgated under the Act, to file or furnish financial statements with a regulatory agency.

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3. It is required to file or furnish financial statements with a regulatory agency in preparation for the sale of securities or for purposes of issuing securities.
4. It has (or is a conduit bond obligor for) unrestricted securities that are traded or can be traded on an exchange or an over-the-counter market.
5. Its securities are unrestricted, and it is required to provide U.S. GAAP financial statements to be made publicly available on a periodic basis pursuant to a legal or regulatory requirement.

The proposed definition would exclude not-for-profits and employee benefit plans within the scope of ASC Topics 960 through 965.

In addition, the FASB might consider whether it will undertake a second phase of the project. Currently, there are multiple entries in the ASC Master Glossary defining the terms “public entity” and “nonpublic entity.” A second phase of the current project would replace those definitions with the final definition resulting from this proposed Update. It includes a specific question for respondents asking whether a second phase should be undertaken.

► EFFECTIVE DATE

The Board would not finalize the amendments in this proposed Update until the new term *public business entity* is used in an amendment to a Topic in the ASC. Therefore, the effective date of the amendments in this proposed Update would be established concurrently with the first Update that uses the definition of a public business entity.

For further information regarding current FASB’s PCC initiatives, refer to [BDO FASB Flash Report \(June 2013\)](#).