

PCC Member Responses:

2015 Survey - Priorities of the Financial Accounting Standards Board (June 2015)

Private Company Council Meeting
September 25, 2015
Topic 2

Note: These materials are provided to facilitate understanding of the issues to be addressed at the September 25, 2015 Private Company Council meeting. These materials are presented for discussion purposes only; they are not intended to reflect the views of the FASB or its staff. Official positions of the FASB are determined only after extensive due process and deliberations.

Top Priorities

Potential projects that PCC respondents think should be a priority for the FASB's agenda (100 points allocated/respondent)

Top 5 (by Total PCC Points)

1. **Other Comprehensive Income (145)**
2. **Consolidations (130)**
3. **Liabilities with Characteristics of Equity (100)**
4. Improving Cash Flow Classification (75)
5. Financial Statement Presentation (73)

PCC Top 5 compared to Overall Responses

	PCC	All with Private Involvement	All with Small Business Involvement	Overall
Financial Performance Reporting	X	X	X	X
Improving Cash Flow Classification	X	X	X	X
Pensions and Other Postretirement Benefits		X	X	X
Liabilities with Characteristics of Equity	X	X	X	X
Intangible Assets				X
Other Comprehensive Income	X			
Consolidations	X	X	X	

Other Potential Projects Suggested

Areas suggested by individual PCC members

(In individual's Top 3):

- Definition of a business (better information needed)
- Leases (cost-benefit of small ticket leases)
- Private Company Look-back (proactive, continuous initiative)
- Share-based compensation (private co simplification)

Other Comprehensive Income

Primary Reason an Improvement is Needed:

(Respondents can select multiple reasons)

- Does not provide decision useful information
- Comments
 - OCI has no conceptual basis; that means Net Income has no conceptual basis. Let's be the group that fixes it, not pass this on to our successors.
 - It is relevant to see how a company is operating. FV measures based on outside factors are often adjustments to earnings at a specific point in time, not over time. I believe they add volatility that while relevant for some purposes (value of the enterprise) are distortive for other purposes (how is the underlying business model or execution doing).
 - Projecting cash flow going forward for a business requires understanding of the business separately from how outside factors affect its earnings and therefore separating earnings measured by outside forces is appropriate and informative.

Other Comprehensive Income

Comments on Feasible Solutions:

- Eliminate the phases OCI and net income.
- The issue may be net income (EPS) vs. OCI so maybe we should get rid of them both but *define the category of earnings that is 'unlike' other earnings and present it separately.*
- Separating earnings measured *by changes in outside factors* (not within the company like discount rates, changes in FV of assets, etc.) separately from earnings recognized by the operations of the enterprise. I do not see value in core/non-core or operating vs. non-operating but I do see value in activity within the company and changes due to external forces acting on the company from the outside.
- Urgency - The PCC member that ranked this project in their top 3 responded that a solution is needed in the near-term (within the next 2-years).

Consolidations

Primary Reason an Improvement is Needed:

(Respondents can select multiple reasons)

- Simplification needed
- Comments
 - Topic 810 is extremely difficult to read and comprehend.
 - Could be written in a manner that is easier to comprehend.
 - The numerous revisions to consolidation guidance in the last 15 years have resulted in a patchwork of guidance that lacks internal consistency in approach.
 - Current guidance is extremely complex to understand and apply. One overall comprehensive model would be better.

Consolidations

Comments on Feasible Solutions:

- Topic 810 could be rewritten in “plain English”
- Add more examples in industries outside of financial services
- Inconsistencies in conceptual foundations that have arisen due to frequent revisions could be addressed. I think the diversity in practice in consolidation should be reduced even if it compromises conceptual purity.

-
- Affects all entity types; is usually material, frequently recurring, affects lots of companies, exists in many countries, and affects lots of industries.

-
- Urgency - The PCC members who ranked this project in their Top 3 responded that a solution is needed in the near-term (within the next 2-years).
 - Reduce diversity in application; the sooner the better

Liabilities with Characteristics of Equity

Primary Reason an Improvement is Needed:

(Respondents can select multiple reasons)

- **Better information is needed (4 of 4 members)**
- **Simplification needed (4 of 4 members)**
- Does not provide decision useful information (1 of 4 members)
- Costly to provide (1 of 4 members)
- Comments about the Improvement Needed and Feasible Solutions
 - A more comprehensive distinction needs to be made to distinguish between the concepts of liabilities and equity.
 - Clarity needed for contemporary transactions.
 - Draw from current practice.

Liabilities with Characteristics of Equity

Comments on Prevalence and Timing:

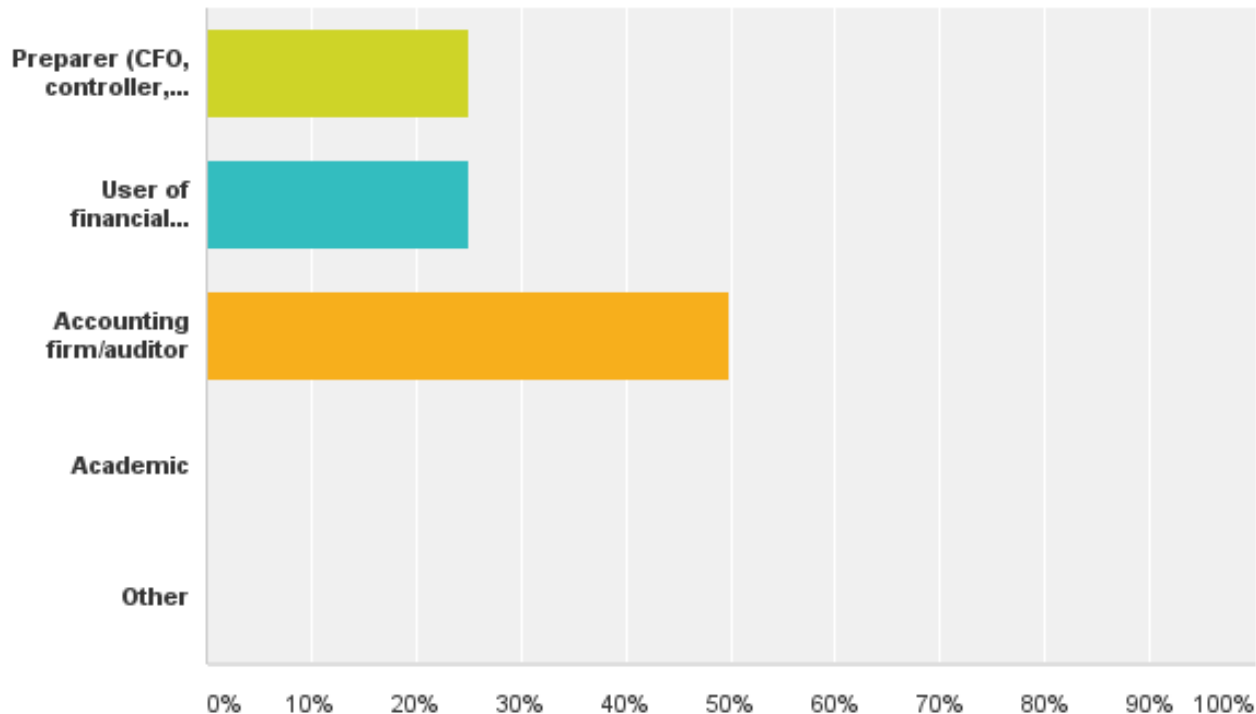
- Affects public and private entities (of all sizes, both domestic and foreign); affects lots of companies.
- Urgency –
 - 50% of the PCC members who ranked this project in their Top 3 responded that a solution is needed in the near-term (within the next 2-years).

Background of Responding PCC Members

Primary Background

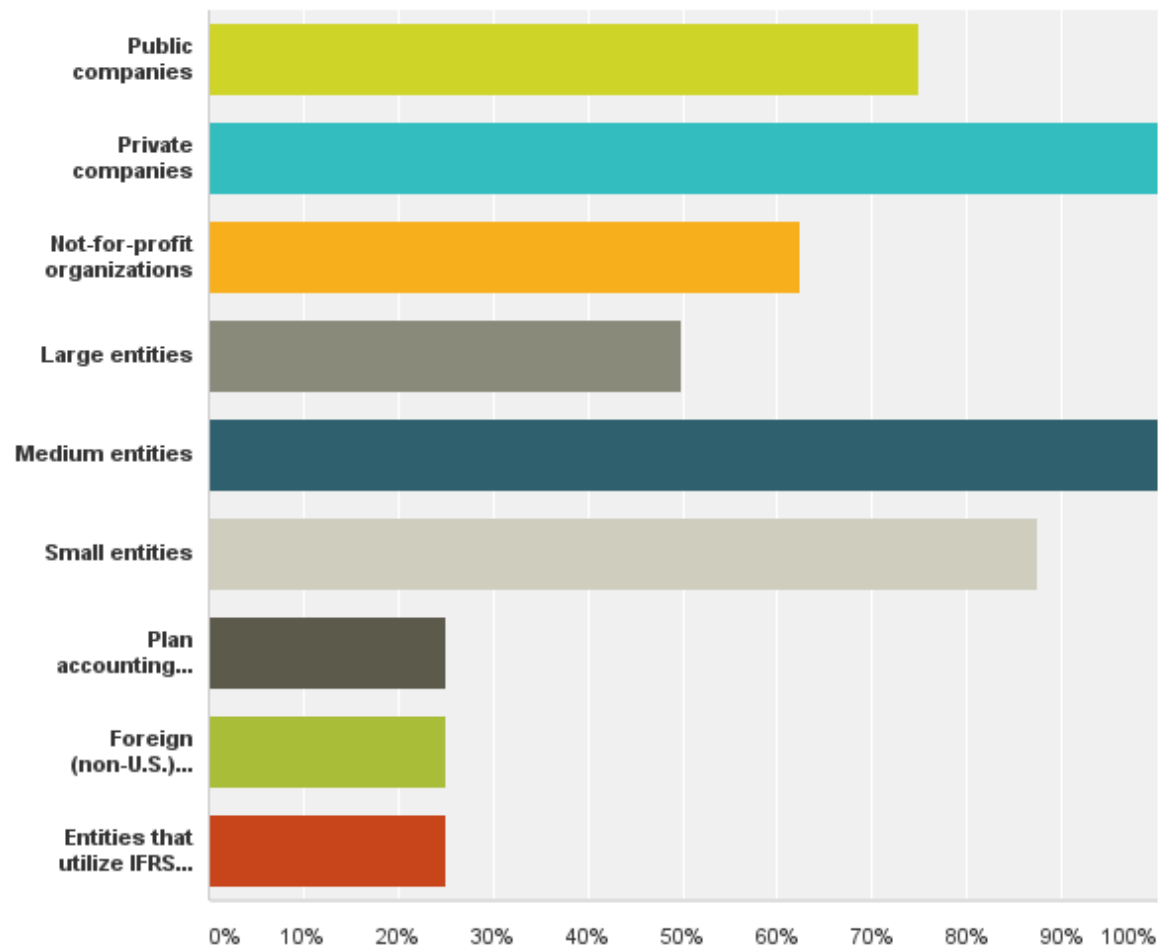
Q3 Your primary background?

Answered: 8 Skipped: 0



Q5 Your involvement with various types of reporting entities: (please check all that apply)

Answered: 8 Skipped: 0



Involvement with Various Industries

