

July 20, 2016

Technical Director
Director@fasb.org

File Reference No. 2016-260

Proposed Accounting Standards Update: Consolidation (Topic 810) Interests Held through Related Parties That Are under Common Control

The Accounting Principles and Assurance Services Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional CPA firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

Question 1: If a reporting entity is the single decision maker of a VIE, the amendments in this proposed Update would require that reporting entity to include all of its direct variable interests in a VIE and, on a proportionate basis, its indirect variable interests in a VIE held through related parties to determine whether it is the primary beneficiary of that VIE. This evaluation would include all related parties as defined in paragraph 810-10-25-43, including those under common control with the single decision maker. Do you agree with this approach? If not, please explain why.

The Committee agrees with the proposed approach.

Question 2: Would the proposed amendments adequately address stakeholders’ concerns that, in certain situations involving entities under common control, the amendments in Update 2015-02 may require a single decision maker of a VIE to consolidate that VIE even if it has little to no direct variable interests in the VIE?

The Committee believes that inclusion of indirect interests held by related parties may still lead to consolidation of VIEs in which an entity has little direct economic interest, and thus may not adequately address all concerns raised by stakeholders. However, the Committee believes that the proposal is an adequate improvement and does not propose any change to it.

Question 3: Do you agree with the proposed transition requirements in paragraph 810-10-65-8? If not, what transition approach would be more appropriate?

The Committee would prefer that a retrospective approach be mandated for entities that have already adopted the amendments in Update 2015-02, but that it be implemented in a manner consistent with how Update 2015-02 was implemented. Thus, it would be fully retrospective if Update 2015-02 was implemented retrospectively, but retrospective to the date as of which Update 2015-02 was applied if it was implemented under the modified retrospective approach. The Committee believes two changes in consolidation that would be shown in financial

statements covering a three-year period under a modified retrospective approach for the proposed Update would be confusing and of little use to users of financial statements. The Committee agrees with the proposed transition requirements for entities which have not yet adopted Update 2015-02.

Question 4: Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.

The transition disclosures are adequate as proposed.

Question 5: Should the proposed amendments be effective immediately upon issuance of a final Update for all entities that already have adopted the amendments in Update 2015-02?

The Committee prefers that the proposed amendments be effective immediately upon issuance of a final Update for all entities that already have adopted the amendments in Update 2015-02, but suggests a short deferral of the effective date to accommodate implementation timing requirements.

Question 6: Should entities that have not yet adopted the amendments in Update 2015-02 be required to adopt the amendments in this proposed Update at the same time they adopt the amendments in Update 2015-02?

Yes, the Committee believes that entities that have not yet adopted the amendments in Update 2015-02 should be required to adopt the amendments in this proposed Update at the same time they adopt the amendments in Update 2015-02. The proposed amendments in effect change a part of Update 2015-02 and should be treated as such.

* * * * *

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

A handwritten signature in black ink that reads "A.J. Major III". The signature is written in a cursive style with a horizontal line under the name.

A.J. Major III
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants