CalCPA

1800 Gateway Drive, Ste 200
San Mateo CA 94404-4072
(800) 922-5272
www.calcpa.org

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Director@fasb.org
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Re: Proposed Accounting Standards Update: Presentation of Financial Statements (Topic 205); Reporting Discontinued Operations.

The Accounting Principles and Auditing Standards Committee (the "Committee") of the California Society of Certified Public Accountants ("CalCPA") respectfully submits its comments on the referenced proposal. The AP&AS Committee is the senior technical committee of CALCPA. CALCPA has approximately 40,000 members. The Committee is comprised of 53 members, of whom 47 percent are from local or regional firms, 27 percent are from large multi-office firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international firms.

The following represents the Committee's responses to the Questions for Respondents in the proposed ASU:

Question 1: Do you agree with the proposed definition of discontinued operations? Is it understandable and operable?

The Committee generally favors a broader definition of what may be considered a discontinued operation. The current definition results in many disposals which do not meet the criteria for discontinued operation reporting in the financial statements being reported as discontinued in "pro forma" or "adjusted" presentations. A definition that meets the needs of preparers of financial statements and allows more operations to be reported as discontinued rather than fewer would be more useful than the Board's proposal.

We believe the IASB has a better approach in IFRS 5 referencing a "cash-generating unit," and recommend that the FASB modify its proposal to be consistent with IFRS 5 in this regard. Even though both standards refer to a major line of business or major geographical area of operations, the initial reference to cash-generating unit will likely lead to a broader scope for discontinued operations under IFRS than under the FASB's proposal. This would have the peripheral benefit of achieving greater convergence with IFRS.

We believe that additional clarity and guidance is necessary regarding what constitutes a "major" line of business or geographic area. As currently proposed, the application of these terms may be applied on an inconsistent basis. In this context, we note the FASB's background conclusion that the definition of discontinued operations would only capture disposals "representing major strategic shifts in operations." In addition to clarifying what that means within the proposed guidance, we would generally expect such disposals to include operations that were either quantitatively or qualitatively significant to the strategic operations of business.

The Committee also questions whether the introduction of new terminology such as a "major line of business" or "major geographical area" affects and/or complicates the existing definition of a *component of an entity*. That is, should the definition of a *component of entity* now be expanded to include such terms (*ex.* A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A component of an entity may be a reportable segment, an operating segment, a major line of business, a major geographical area, a reporting unit, a subsidiary, or an asset group)?

In this respect, we further believe that greater convergence with IFRS is achievable and appropriate. Most notably, efforts to converge the definition of a component of an entity, particularly in the context of this proposal, should be considered by the FASB. We believe that the IFRS definition which recognizes that "a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use" provides a simpler model for applying these concepts.

Lastly, we do agree with the reference to paragraph 360-10-45-9 as part of the definition for classification as a discontinued operation.

Question 2: Do you agree that the continuing involvement criterion in the existing definition should be eliminated? Why or why not?

We agree with the elimination of the continuing involvement criterion. It can work as an unnecessary limit on what might be considered a discontinued operation.

Question 3: Do you agree with the scope of the amendments in this proposed Update? Do you agree that disposals of equity method investments and oil and gas properties that are accounted for using the full-cost method of accounting should be eligible for discontinued operations presentation if they meet the criteria to be reported in discontinued operations?

We agree with the scope of the proposed amendments.

Question 4: U.S. GAAP and the amendments in this proposed Update do not specify whether an entity should reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification. Should an entity be required to reclassify the assets and liabilities of a discontinued operation classified as held for sale in the statement of financial position for periods before reclassification? Why or why not?

We agree with the proposal as written. It should be left to management's judgment whether to reclassify prior periods' statements of financial position.

Question 5: Do you agree with the disclosures required for disposals of individually material components of an entity? If not, which disclosure or disclosures would you eliminate or add and why?

We agree with the proposed disclosures, except for the disclosures of an individually material component that does not meet the criteria for presentation as a discontinued operation. We find it inconsistent to exclude these components from discontinued operations and yet prescribe some of the same disclosures as if they were. Rather, we believe that general disclosure requirements instead of detailed prescriptions in an accounting standard on discontinued operations would suffice.

Question 6: Do you agree that businesses held for sale on acquisition should be excluded from certain disclosure requirements? Why or why not?

We agree with the exclusion. Since those businesses were never included in the entity's operations and never will be, those disclosures are not relevant.

Question 7: Do you agree with the prospective application transition method? Why or why not?

We agree with prospective application. Retrospective application could involve significant expense for little apparent benefit.

Question 8: How much time do you think will be needed to prepare for and implement the amendments in this proposed Update?

We do not believe implementation of the proposed Update will be unduly time consuming.

Question 9: Do the modified disclosures for nonpublic entities provide the right level of disclosure? If not, how should the proposed Update be modified for nonpublic entities?

We believe the proposed disclosures for nonpublic entities are adequate.

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.

Very truly yours,

Michael D Feinstein

Michael D. Feinstein, Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants