

FIN 46R – Draft Questions of Constituents to Determine Needs & Costs

TASK FORCE COMMENTS

Do we want a summary up front describing FIN46R or do we want a link to our web site that contains FIN 46R requirements?

Do we want to present an example of applying and not applying FIN 46R? Will this bias the reader?

Do we need to have two questionnaires – one for preparers/practitioners and one for users?

Demographic Questions

1) Describe your primary involvement with private company financial statements:

- Creditor or lender (*Note - break down further by lender size*)
- Investor/Venture Capital/Buyout firm
- Surety/Bonding/Insurance firm
- Preparer of financial statements
- Practitioner (performing audits, reviews, compilations)

2) *WHAT ELSE?*

Issue 1 – Does the consolidation requirements of FIN 46R result in relevant and useful private company financial statements?

Questions:

1) Paragraph 14 of FIN 46R states that “an enterprise shall consolidate a variable interest entity if that enterprise has a variable interest (or combination of variable interests) that will absorb a majority of the entity’s expected losses, receive a majority of the entity’s expected residual returns, or both.” A variable interest entity is defined in FIN 46R.

	Hi	Med	Lo	DK	N/A
A. Rate the relevance/usefulness of consolidating					

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 FIN 46R – Draft Outreach Questions

variable interest entities under the requirements of FIN 46R.					
B. Rate the level of challenge to prepare, audit, review, or compile accounting information required by the consolidation requirements of FIN 46R.					

Provide commentary in support of your ratings:

	Hi	Med	Lo	DK	N/A
2A. When it comes to making informed business decisions about a reporting entity, rate the relevance/usefulness of obtaining financial information pertaining to variable interest entities related to the reporting entity.					
2B. Rate the level of challenge to prepare, audit, review, or compile financial information pertaining to variable interest entities.					

Provide commentary in support of your ratings:

3) Generally Accepted Accounting Principles (“GAAP”) require certain disclosures about related party activities and entities that are not required to be consolidated. What information is relevant and useful to you concerning those unconsolidated activities and entities?

Private Company Financial Reporting Committee
 FIN 46R – Draft Outreach Questions

	Often	Some times	Rarely	Never
4A. If you are a user of private company financial statements, indicate how often you require GAAP-basis financial statements.				
4B. If you are a user of private company financial statements, indicate how often you accept GAAP departures, specifically related to FIN 46R, in the financial statements				

Provide commentary in support of your ratings:

5) If you are a user of private company financial statements, explain how a GAAP departure related to FIN 46R influences your view of the company and its financial statements.

	Often	Some times	Rarely	Never
6. If you are a user of private company financial statements, indicate how often you de-consolidate an entity's financial statements to help you arrive at the information you need to make an informed business decision.				

Private Company Financial Reporting Committee
 FIN 46R – Draft Outreach Questions

Provide commentary in support of your ratings:

7A) If you are a user of private company financial statements, rate the relevance/usefulness of the following methods of reporting the activities of variable interest entities.

	Hi	Med	Lo	DK	N/A
A. Consolidation of variable interest entity					
B. Summary information about the variable interest entity and supporting schedules					
C. Detailed notes to the financial statements about the activities of the variable interest entity.					
D. Combining financial statements of the reporting entity and the variable interest entity.					
E. Equity method of accounting for the variable interest entity with disclosures about contingent liabilities and risks.					

Provide commentary in support of your ratings:

7B) If you prepare, audit, review, or compile private company financial statements, rate the level of challenge to prepare, audit, review, or compile the following methods of reporting accounting information about variable interest entities.

	Hi	Med	Lo	DK	N/A
A. Consolidation of variable interest entity					
B. Summary information about the variable interest entity and supporting schedules					

Private Company Financial Reporting Committee
 FIN 46R – Draft Outreach Questions

C. Detailed notes to the financial statements about the activities of the variable interest entity.					
D. Combined financial statements of the reporting entity and the variable interest entity.					
E. Equity method of accounting for the variable interest entity with disclosures about contingent liabilities and risks.					

Provide commentary in support of your ratings:

	Yes	No	N/A
8) If you are a user of private company financial statements, when you receive financial statements that include a consolidated variable interest entity, do you ask for supplementary information about the variable interest entity?			

Provide commentary in support of your ratings:

Issue 2 – Are all of the disclosure requirements appropriate for the key constituents of private companies?

Questions:

1) Rate the relevance/usefulness of the following disclosures a reporting entity could make related to its involvement with variable interest entities.

	Hi	Med	Lo	DK	N/A
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Private Company Financial Reporting Committee
 FIN 46R – Draft Outreach Questions

A. The nature, purpose, size, and activities of the variable interest entity					
B. The carrying amount and classification of consolidated assets that are collateral for the variable interest entity's obligations					
C. Lack of recourse if creditors (or beneficial interest holders) of a consolidated variable interest entity have no recourse to the general credit of the primary beneficiary.					
D. The nature of its involvement with the variable interest entity and when that involvement began					
E. The enterprise's maximum exposure to loss as a result of its involvement with the variable interest entity.					
F. The amount of income, expense, purchases, sales, or other measure of activity between the reporting entity and the variable interest entity.					

2) For a reporting entity involved with a variable interest entity, describe any additional disclosures which would be relevant and useful.

	Yes	No	N/A
3) Do you believe that expanded related party disclosures would be more relevant and useful instead of consolidating a variable interest entity into a reporting entity's financial statements?			

Provide commentary in support of your ratings:

Issue 3 – Costs to implement the requirements of FIN 46R.

Questions:

	Hi	Med	Lo	Don't Know
1) Rate the level of perceived costs of complying with the requirements of FIN 46R, including the identification of variable interest entities.				

	Yes	No	N/A
2) Do you believe the benefits of applying the requirements of FIN 46R are worth the costs of complying with FIN 46R?			

Provide commentary in support of your ratings:

Issue 4 – FIN 46R is complicated and very technical, leading to diversity in application.

Questions:

	Hi	Med	Lo	Don't Know
1) Rate the value of additional FASB guidance directed toward the most typical private company situations.				

Provide commentary about what kinds of guidance would be most helpful.

Private Company Financial Reporting Committee
FIN 46R – Draft Outreach Questions

2) If you are a preparer or practitioner, what are the most common FIN 46R situations causing difficulty with financial statements?
