

FIN 48 – Draft Questions of Constituents to Determine Needs & Costs

Demographic Questions

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

- Creditor or lender
- Investor/Venture Capital/Buyout firm
- Surety/Bonding/Insurance firm
- Preparer of financial statements
- Practitioner (performing audits, reviews, compilations)

2) *What Else?*

Issue 1 – Are all of the disclosure requirements appropriate for the key constituents of private companies?

Questions:

1) Below is an illustrative disclosure presenting a tabular reconciliation of the total amounts of unrecognized tax benefits at the beginning and end of a period. (Unrecognized tax benefits are the differences between the amount of benefits recognized in the statement of financial position and the amount taken or expected to be taken in a tax return.)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	(in millions)
Balance at January 1, 2007	\$370,000
Additions based on tax positions related to the current year	10,000
Additions for tax positions of prior years	30,000
Reductions for tax positions of prior years	(60,000)
Settlements	<u>(40,000)</u>
Balance at December 31, 2007	\$310,000

a) Given this illustrative reconciliation, rate the relevance/usefulness of the following disclosure components.

	Hi	Med	Lo	DK	N/A
A. The gross amounts of the increases and decreases in unrecognized tax benefits as a result of tax positions taken during a <u>prior</u> period					
1. Relevance/Usefulness					

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B. The gross amounts of increases and decreases in unrecognized tax benefits as a result of tax positions taken during the <u>current</u> period	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					
C. The amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					
D. Reductions to unrecognized tax benefits as a result of a lapse of the applicable statute of limitations	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					

Provide commentary in support of your ratings:

b) Given this illustrative reconciliation, please rate the level of challenge to understand, prepare, audit, review, or compile the following disclosure components

	Hi	Med	Lo	DK	N/A
A. The gross amounts of the increases and decreases in unrecognized tax benefits as a result of tax positions taken during a <u>prior</u> period					
1. Level of challenge to understand, prepare, audit, review, or compile.					
B. The gross amounts of increases and decreases in unrecognized tax benefits as a result of tax positions taken during the <u>current</u> period	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					
C. The amounts of decreases in the unrecognized tax benefits relating to settlements with taxing authorities	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					
D. Reductions to unrecognized tax benefits as a result	Hi	Med	Lo	DK	N/A

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of a lapse of the applicable statute of limitations					
1. Level of challenge to understand, prepare, audit, review, or compile.					

Provide commentary in support of your ratings:

2a.) Rate the overall tabular reconciliation disclosure for relevance/usefulness.

Overall tabular reconciliation	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					

Provide commentary in support of your ratings:

2b.) Rate the overall tabular reconciliation disclosure for level of challenge to understand, prepare, audit, review, or compile.

Overall tabular reconciliation	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					

Provide commentary in support of your ratings:

3) Assuming that the tabular reconciliation was not a required disclosure, what information about unrecognized tax benefits would you find relevant and useful?

A. The unrecognized tax benefits are presented in the balance sheet with a general explanation of what they are.	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					
B. Without quantifying the amounts, disclosures about significant tax uncertainties are presented within the disclosures about significant risks and uncertainties.					
1. Relevance/Usefulness					

Besides A and B above, what information about unrecognized tax benefits would you find relevant and useful?

4a) Rate the following disclosure item for relevance/usefulness.

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate.	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					

Provide commentary in support of your ratings:

4b) Rate the following disclosure item for the level of challenge to understand, prepare, audit, review, or compile.

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate.	Hi	Med	Lo	DK	N/A
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1. Level of challenge to understand, prepare, audit, review, or compile.					
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5a) Rate the disclosures below for relevance/usefulness. These disclosures pertain to tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date.

A. The nature of the uncertainty	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					
B. The nature of the event that could occur in the next 12 months that would cause the change	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					
C. An estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					

Provide commentary in support of your ratings:

5b) Rate the disclosures below for the level of challenge to understand, prepare, audit, review, or compile. These disclosures pertain to tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the reporting date.

A. The nature of the uncertainty	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					
B. The nature of the event that could occur in the next 12 months that would cause the change	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					
C. An estimate of the range of the reasonably possible change or a statement that an estimate of the range cannot be made	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					

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Provide commentary in support of your ratings:

	Hi	Med	Lo	Don't Know
6) Rate the relevance and usefulness of presenting in the balance sheet a liability for unrecognized tax benefits.				

Provide commentary in support of your ratings:

Issue 2 – Do the implications for pass-through entities need to be further addressed?

Question:

1) Paragraph 1 of FIN 48 states, “This Interpretation also applies to pass-through entities and entities whose tax liability is subject to 100 percent credit for dividends paid (for example, real estate investment trusts and registered investment companies) that are potentially subject to income taxes.”

	Yes	No
Are you aware that FIN 48 may apply to S-corporations, LLCs, and other pass-through entities?		

Issue 3 – Is additional implementation guidance needed?

Questions:

	Hi	Med	Lo	Don't Know

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1) Rate the usefulness of additional implementation guidance on this topic.				
2) Rate the level of reduction of perceived costs of implementation if additional implementation guidance on this topic was provided.				

Provide commentary in support of your ratings:

Issue 4 – Does the effective date need to be delayed for another year?

Question:

	Yes	No	Don't Know
1) Would it be useful if FASB delays the effective date of FIN 48?			

Provide commentary in support of your ratings:

Possible Issue 5 – Recognition

Questions:

- 1) FIN 48 states:

FASB Statement No. 5 states:

An estimated loss from a loss contingency (as defined in paragraph 1) shall be accrued by a charge to income if *both* of the following conditions are met:

- a. Information available prior to issuance of the financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss.
- b. The amount of loss can be reasonably estimated.

- a) Rate the relevance/usefulness of the FIN 48 and FASB 5 approaches as they relate to recognizing uncertain tax positions.

A. FIN 48 recognition approach	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					
B. FASB 5 recognition approach	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					

Provide commentary in support of your ratings:

- b) Rate the level of challenge to understand, prepare, audit, review, or compile accounting information under the FIN 48 and FASB 5 approaches as they relate to recognizing uncertain tax positions.

A. FIN 48 recognition approach	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					
B. FASB 5 recognition approach	Hi	Med	Lo	DK	N/A

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1. Level of challenge to understand, prepare, audit, review, or compile.					
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Provide commentary in support of your ratings:

Possible Issue 6 – Measurement

Question:

1) FIN 48 states.....

FIN 14 states.....

a) Rate the relevance/usefulness of the FIN 48 and FIN 14 approaches as they relate to measuring a liability for unrecognized tax benefits.

A. FIN 48 measurement approach	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					
B. FIN 14 measurement approach	Hi	Med	Lo	DK	N/A
1. Relevance/Usefulness					

Provide commentary in support of your ratings:

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- b)** Rate the level of challenge to understand, prepare, audit, review, or compile accounting information under the FIN 48 and FIN 14 approaches as they relate to measuring a liability for unrecognized tax benefits.

A. FIN 48 measurement approach	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					
B. FIN 14 measurement approach	Hi	Med	Lo	DK	N/A
1. Level of challenge to understand, prepare, audit, review, or compile.					

Provide commentary in support of your ratings:
