

December 5, 2008

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, CT 06856-5116

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Exposure Draft (Revised): Proposed Statement of Financial Accounting  
Standards – *Subsequent Events*  
(File Reference No. 1640-100)**

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned exposure draft. The NYSSCPA thanks the FASB for the opportunity to comment.

The NYSSCPA's Financial Accounting Standards Committee deliberated the exposure draft and drafted the attached comments. If you would like additional discussion with us, please contact Edward P. Ichart, Chair of the Financial Accounting Standards Committee, at (516) 488-1200, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Sharon Sabba Fierstein  
President

Attachment

**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**EXPOSURE DRAFT (REVISED): PROPOSED STATEMENT OF FINANCIAL  
ACCOUNTING STANDARDS – *SUBSEQUENT EVENTS***

**File Reference No. 1640-100**

**December \*\*, 2008**

**Principal Drafters**

**Robert A. Dyson  
Hashim Ghadiali  
Fred R. Goldstein  
Edward P. Ichart**

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### **NYSSCPA Staff**

Ernest J. Markezin

# New York State Society of Certified Public Accountants

## Financial Accounting Standards Committee

### Exposure Draft (Revised): Proposed Statement of Financial Accounting Standards – *Subsequent Events*

(File Reference No. 1640-100)

We agree with the Financial Accounting Standards Board’s proposal to include subsequent events guidance in the accounting literature. A declaration regarding the completeness of financial statement disclosures is clearly a financial statement assertion, which should be made by and the responsibility of management and assessed by the auditor. Adoption of this proposal is consistent with the current division of management and the auditor’s duties in financial reporting. The current guidance in AU 360, *Subsequent Events*, places the responsibility of reporting subsequent events on the auditor with no obvious equivalent requirements of management. Adoption of this standard is consistent with the objective of FASB Statement 162, *The Hierarchy of Generally Accepted Accounting Principles*, by removing accounting principles guidance from the auditing literature. With the exception noted below (Issue 1), we also agree with the presentation and disclosure requirements of the proposed statement.

#### **Consideration of Subsequent Events through the Date That Financial Statements Are Issued or Available to Be Issued**

*Issue 1:* Under AU Section 560, subsequent events were events or transactions that occurred after the balance sheet date but before the issuance of the financial statements. Under this proposed Statement, subsequent events would be events or transactions that occur after the balance sheet date but before the date that financial statements are issued or are available to be issued. The Board added the notion of available to be issued to consider situations in which financial statements may not be audited or may not be widely distributed after the financial statements are prepared—as may be the case with some nonpublic entities. The Board reasoned that an entity should not be required to evaluate subsequent events for an extended period of time for recognition in the financial statements solely because it does not have a practice of widely distributing its financial statements upon completion. A reasonable accommodation in this situation would be to require entities to determine the date upon which the financial statements are available to be issued.

Do you believe that this accommodation is helpful and operational? If not, why?

**Response:** We disagree with the concept of “available to be issued.” The description in paragraph 6 states that financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained from management, the board of directors or

significant shareholders. The proposed Statement does not address the process followed by external auditors and accountants, who audit, review or compile financial statements.

External accountants and auditors often propose journal entries and disclosures that are necessary to present the organization's financial statements in conformity with generally accepted accounting principles (GAAP). Consequently, the financial statements may undergo significant revisions after management and others approve internally generated financial statements. In addition, this concept creates exposure to both management and the auditor if plaintiffs perceive events or conditions were not reported because they occurred after the financial statements were available to be issued but before they were issued.

The current requirement, as presented in AU 560, paragraph 3, is to report significant subsequent events up to the date of the auditor's report (which date is typically close in time to the report release date), which gives users the assurance that all significant events up to issuance of the financial statements have been disclosed in the financial statements. Accordingly, we believe that in the case of audited, reviewed or compiled financial statements, the date that financial statements are deemed available for issuance should be a date that is close in time to the date of the audit or other report.

### **Disclosure of the Date through Which Subsequent Events Were Evaluated**

*Issue 2:* In conjunction with defining subsequent events as events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued, the Board decided that entities should disclose the date through which subsequent events were considered and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. IAS 10, *Events after the Reporting Period*, also requires disclosure of the date through which the entity evaluated subsequent events, and the Board reasoned that this disclosure was important information for users of financial statements in light of the accommodation provided to entities that may not have a consistent practice of widely distributing their financial statements upon completion.

Do you believe that this disclosure is needed and would be useful? If not, why? Do you believe that providing this disclosure will result in a significant change in an entity's process of preparing and issuing financial statements?

**Response:** In the case of financial statements that are not audited, reviewed or compiled, we believe that this information would be of value. For audited, reviewed or compiled financial statements, we are not opposed to dating management's consideration of events, but, consistent with our position in Issue 1, we believe that the date of the auditor's report is the proper cut-off date to consider subsequent events.

## **Scope Exception**

*Issue 3:* Other applicable generally accepted accounting principles (GAAP) may address the accounting for subsequent events in a manner that is inconsistent with the principles in this proposed Statement. This proposed Statement is not intended to change the accounting required by such other applicable GAAP and, therefore, includes a scope exception for that GAAP. For example, this proposed Statement does not change the accounting for curing violations of borrowing covenants after the balance sheet date but before the financial statements are issued or are available to be issued. The Board reasoned that previous Boards were aware of the departures in those standards from AU Section 560 and decided against amending existing authoritative literature as a part of this project.

Do you agree? If not, why?

**Response:** We agree with the scope exceptions in paragraph A5. These well established exceptions have previously been subjected to the Board's consideration and due process.