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Via email to [director@fasb.org](mailto:director@fasb.org)

Mr. Jackson M. Day, Technical Director  
Financial Accounting Standards Board  
801 Main Avenue  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: Business Combinations (Topic 805) and Consolidation (Topic 810): Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity (File Reference No. 2024-ED500)**

Dear Mr. Day,

We appreciate the opportunity to respond to the Board's exposure draft on *Determining the Accounting Acquirer in the Acquisition of a Variable Interest Entity*.

We support the Board's proposal to require that an entity consider the factors in ASC 805-10-55-12 through 55-15 for acquisition transactions primarily effected by the exchange of equity interests in which the legal acquiree is a variable interest entity (VIE) that meets the definition of a business. However, we believe certain clarifications to the proposed guidance would improve operability in the short-term.

Longer term, we would support the development of a single consolidation model to alleviate complications arising from the presence of two consolidation frameworks in current GAAP. Our suggestions are detailed in our responses to the Questions for Respondents in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Jon Linville at (214) 243-2940 or Adam Brown at (214) 665-0673.

Very truly yours,

*BDO USA, P.C.*

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## Appendix

***Question 1: Do you agree with the amendments in this proposed Update that would require entities involved in acquisition transactions effected primarily by exchanging equity interests when the legal acquiree is a VIE that meets the definition of a business to consider the factors in paragraphs 805-10-55-12 through 55-15 to determine which entity is the accounting acquirer? Would the proposed amendments provide decision-useful information and improve comparability? Are the proposed amendments clear and operable? Please explain why or why not.***

We agree that the proposed Accounting Standards Update (ASU) is generally clear and operable. We believe it will improve comparability for acquisition transactions effected primarily by exchanging equity interests when the legal acquiree is a business. Therefore, the amendments will improve the decision-usefulness of information.

### Additional Observations

1. We note that the language in ASC 805-10-25-5 may be confusing when considering that most of the transactions contemplated by this ASU may not ultimately be accounted for as business combinations. That is, paragraph 805-50-25-5 addresses the identification of an acquirer in a business combination; yet the amendments are intended to result in mergers that are accounted for as recapitalization transactions, not business combinations. For example, consider the following scenario:
  - A SPAC is the legal acquirer and effects the acquisition of the legal acquiree by primarily exchanging equity interests.
  - The SPAC does not meet the definition of a business.
  - The legal acquiree is a VIE that meets the definition of a business.
  - The factors in ASC 805-10-55-12 through 55-15 indicate the legal acquiree is the accounting acquirer.
  - As a result, the legal acquiree is the accounting acquirer and accounts for the transaction as a recapitalization rather than as a business combination.

To improve clarity and operability, we recommend that the Board revise ASC 805-10-25-5, ASC 805-10-55-10, and ASC 810-10-30-2 potentially as follows:

**805-10-25-5** The guidance in the General Subsections of Subtopic 810-10 related to determining the existence of a controlling financial interest shall be used to identify the acquirer—the entity that obtains control of the acquiree. If a business combination has occurred but applying that guidance does not clearly indicate which of the combining entities is the acquirer, the factors in paragraphs 805-10-55-11 through 55-15 shall be considered in making that determination. However, in a ~~business combination~~ **an acquisition transaction** in which a variable interest entity (VIE) is **legally** acquired, the primary beneficiary of that **VIE entity** is the acquirer unless the ~~business combination~~ **acquisition transaction** is effected primarily by exchanging equity interests **in which a VIE that meets the definition of a business is acquired**. The determination of which party, if any, is the primary beneficiary of a VIE shall be made in accordance with the guidance in the Variable Interest Entities Subsections of Subtopic 810-10, not by applying either the guidance in the General Subsections of that Subtopic, relating to a controlling financial interest, or the guidance in 6 paragraphs 805-10-55-11 through 55-15. For a ~~business combination~~ **an acquisition transaction** that is effected primarily by exchanging equity

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interests in which a VIE that meets the definition of a business is legally acquired, the factors in paragraphs 805-10-55-12 through 55-15 shall be considered in determining which entity is the accounting acquirer.

**805-10-55-10** Paragraph 805-10-25-5 provides that the guidance in the General Subsections of Subtopic 810-10 related to determining the existence of a controlling financial interest should be used to identify the acquirer in a business combination, except when a variable interest entity (VIE) is acquired. If a business combination has occurred but applying that guidance does not clearly indicate which of the combining entities is the acquirer, paragraph 805-10-25-5 requires the factors in paragraphs 805-10-55-11 through 55-15 to be considered in making that determination. For ~~a business combination~~ an acquisition transaction that is effected primarily by exchanging equity interests in which a VIE that meets the definition of a business is legally acquired, the factors in paragraphs 805-10-55-12 through 55-15 shall be considered in determining which entity is the accounting acquirer. For a business combination that is not effected primarily by exchanging equity interests in which a VIE is legally acquired, the primary beneficiary of that entity is the accounting acquirer.

**810-10-30-2** The initial consolidation of a VIE that is a business in which the primary beneficiary is the accounting acquirer is a business combination and shall be accounted for in accordance with the provisions in Topic 805. If ~~a business combination~~ an acquisition transaction that ~~in which a VIE~~ is effected primarily by exchanging equity interests in which a VIE that meets the definition of a business is legally acquired, the factors in paragraphs 805-10-55-12 through 55-15 shall be considered in determining which entity is the accounting acquirer. If an acquisition transaction is a reverse acquisition and the accounting acquiree meets the definition of a business, the provisions of Subtopic 805-40 shall be applied. For ~~a business combination~~ an acquisition transaction that is not effected primarily by exchanging equity interests in which a VIE is legally acquired, the primary beneficiary of that entity is the accounting acquirer.

2. We note that it is not clear whether the disclosures in ASC 810-10-50-2AA through 50-2AC, ASC 810-10-50-3, ASC 810-10-50-5A through 50-5B, and ASC 810-10-50-9 through 50-10 would be required for a VIE reporting entity that accounts for the initial consolidation of a legal acquirer under this proposed ASU as a reverse acquisition. We recommend the Board provide clarification of whether such disclosures are required.
3. We recommend that the Board acknowledge in the Basis for Conclusions that entities typically apply the guidance in ASC 805-10-55-12 through 55-15 by analogy when identifying the accounting acquirer for asset acquisitions and recapitalization transactions when the legal acquiree is not a VIE. We also recommend clarifying in paragraphs BC31-BC32 whether the Board intends to preclude the same analogy for economically similar transactions in which the legal acquiree is a VIE that does not meet the definition of a business and the acquisition is effected primarily by exchanging equity interests, such that a primary beneficiary will always be deemed the acquirer. This inconsistency based solely on an entity's VIE status is one of the reasons we support a longer-term project to develop a single consolidation model.

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***Question 2: The proposed transition requirements would require entities to apply the proposed amendments on a prospective basis. Are the proposed transition requirements operable? If not, why not and what transition method would be more appropriate and why?***

We agree the proposed transition requirements are operable and we support adoption on a prospective basis.

***Question 3: How much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities be different from the effective date for public business entities? Please explain why or why not.***

We do not expect a significant amount of time to be required for entities to adopt the proposed amendments as the amendments are narrow, do not introduce new concepts, and would be applied prospectively. For the same reasons, we do not believe private entities should require more time than public entities to adopt the proposed amendment. However, we would not object to a later effective date for private entities, consistent with many other proposed accounting standard updates, as long as early adoption is allowed.

***Question 4: The proposed amendments would permit early adoption. If an entity early adopts the proposed amendments, should the entity be required to adopt those amendments as of the beginning of an annual reporting period? Please explain why or why not.***

We agree early adoption of the proposed amendments should be allowed. We also believe entities should be allowed to adopt the amendments as of the beginning of any interim reporting period to allow for adoption as soon as possible for those entities that wish to early adopt.