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Standard Update (ASU) intended to reduce the cost and complexity of financial reporting associated with consolidation of variable interest entities (VIEs).

Jun. 28, 2017

The Financial Accounting Standards Board ([FASB](#)) has issued a proposed Accounting Standard Update ([ASU](#)) intended to reduce the cost and complexity of financial reporting associated with consolidation of variable interest entities (VIEs). The proposed ASU is based on recommendations from the Private Company Council ([PCC](#)).

The proposed ASU would address private company concerns around the difficulty of navigating and applying current VIE guidance to common control arrangements. Under the proposed amendments, a private company (reporting entity) would not have to apply VIE guidance to legal entities under common control (including common control leasing arrangements) if both the parent and the legal entity being evaluated for consolidation are not public business entities.

The accounting alternative would provide an accounting policy election that a private company would apply to all current and future legal entities under common control that meet the criteria for applying this alternative—it could not be applied to select common control arrangements. If the alternative is elected, a private company still would be required to follow other consolidation guidance, particularly the voting interest entity guidance, unless another scope exception applies. Additionally, it would require a private company to provide detailed disclosures about its involvement with and exposure to the legal entity under common control.

The proposed [ASU](#) also would amend certain VIE guidance for related party arrangements. More information on these amendments can be found in the [FASB In Focus](#) document.

Stakeholders are asked to review and provide comment on the proposed ASU by

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