

June 18, 2015

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**File Reference No. EITF-15B**

Dear Ms. Cospers:

McGladrey LLP is pleased to comment on the Proposed Accounting Standards Update, *Liabilities—Extinguishments of Liabilities (Subtopic 405-20), Recognition of Breakage for Certain Prepaid-Stored Value Cards* (the “proposed ASU”). We support the provisions of the proposed ASU and its amendments to the existing guidance.

Our responses to the specific questions raised in the proposed ASU follow:

**Responses to Questions for Respondents**

**Question 1:** *Should the scope of the proposed amendments be limited to prepaid stored-value card liabilities resulting from the sale of cards with the characteristics specified in this proposed Update? If not, what other liabilities should be included in the scope of this proposed Update?*

We understand that the Emerging Issues Task Force elected to limit the scope to the characteristics of the prepaid stored-value cards that were discussed in the submission it received and do believe that the proposed ASU will be helpful in limiting the diversity in practice that currently exists. However, we would recommend that the FASB consider slightly modifying the scope by eliminating the criteria in 405-20-40-4a. Otherwise, there could continue to be differences in accounting for the liability for prepaid stored-value card liabilities with expiration dates, depending on whether preparers consider them to be financial or nonfinancial liabilities. We believe such liability is a financial liability and, if sufficient data exists to support that a significant reversal of the recognized breakage amount would not subsequently occur, we do not believe that the pattern of recognition should be different simply because one card has an expiration date and another does not. To say it another way we believe that an entity should derecognize the expected breakage in proportion to the pattern of rights expected to be exercised by the card holder in both situations.

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**Question 2:** *If an entity expects to be entitled to a breakage amount, should a prepaid stored-value card liability within the scope of the proposed amendments be derecognized in proportion to the pattern of rights expected to be exercised by the card holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur? If an entity does not expect to be entitled to a breakage amount, should the liability be derecognized when the likelihood of the customer exercising its remaining rights becomes remote? If not, what breakage model would be appropriate?*

We agree that entities that expect to be entitled to a breakage amount should derecognize the prepaid stored-value card liability in proportion to the pattern of rights expected to be exercised by the cardholder, only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur, and that entities that do not expect to be entitled to a breakage amount should derecognize the liability when the likelihood of the customer exercising its remaining rights becomes remote.

**Question 3:** *Should an entity be required to provide the disclosures specified in this proposed Update? Should any other disclosures be required? If yes, please explain what disclosures should be provided.*

We agree with the required disclosures in the proposed ASU.

**Question 4:** *Should the proposed amendments be applied using a modified retrospective transition method (requiring a cumulative-effect adjustment as of the beginning of the annual period in which the guidance is effective)? If not, please explain why.*

We agree with the required transition in the proposed ASU.

**Question 5:** *How much time would be needed to implement the proposed amendments? Should early adoption be permitted?*

We do not believe that the time needed to implement the provisions of the proposed ASU would be significant. Accordingly, we suggest an effective date of interim periods within fiscal years beginning after December 15, 2015 for public business entities.

**Question 6:** *Do entities other than public business entities (that is, private companies and not-for-profit entities) need additional time to apply the proposed amendments? Why or why not?*

We are supportive of an effective date for private companies and not-for-profit entities that is one year after the first annual period in which public companies are required to adopt the proposal, however we also believe that early adoption should be permitted for private companies and not-for-profit entities.

We appreciate this opportunity to provide feedback on the proposed guidance and would be pleased to respond to any questions the FASB or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Richard Stuart at 203.905.5027.

Sincerely,



McGladrey LLP