



January 31, 2011

Ms. Susan Cospers
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Via Email to director@fasb.org

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Re: File reference 1890-100

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to respond to the Financial Accounting Standards Board (FASB) Discussion Paper, *Effective Dates and Transition Methods*. Our detailed responses to the questions in the Discussion Paper are set out in the Appendix. Some general comments and a summary of our main views are set out below.

General comments

We appreciate the opportunity to comment on effective dates and transition methods for projects that the Board intends to complete in 2011. In the normal course, we prefer to consider these matters on a project-by-project basis. However, we agree that the scale and significance of the changes proposed is such that the implementation issues and timetable should be considered collectively.

While we agree with the need for an overall implementation plan, determining the optimum features of that plan is challenging at the present time, because:

- In most cases the final requirements remain uncertain
- The impact of the changes proposed will vary greatly from one preparer to another, but most preparers will be affected by the changes
- The decisions on effective date and transition method are inter-related (for example, more time will be needed if the transition method is fully retrospective)
- Various trade-offs and competing objectives need to be considered
- The standard setting process may change for non-public entities
- The SEC may decide whether, when, or how U.S. registrants should adopt or converge with International Financial Reporting Standards (IFRS)
- The FASB's ongoing standard setting activities are likely to produce additional standards that would also be implemented during the transition periods established for the projects covered by this Discussion Paper

Furthermore, we are concerned that the Board's focus on issuing final standards on major projects by mid-2011 may compromise the quality of those standards. The focus should be on developing standards that result in providing improved decision-useful financial information to users. The Board should take the time necessary for sufficient due process procedures to get it right the first time, that is, before the standard is finalized. Additional procedures could include increased field testing and re-exposure of significant changes made during redeliberations that may not have been fully considered by constituents in their responses to the original exposure documents. Such procedures could slow the standard setting process but help ensure that a final standard is operational and improves financial reporting.

The Board should not rely on the actual implementation process to identify operational issues. Preparers may incur substantial costs to implement a new standard in good faith only to have the rules change shortly before or after the effective date, as the Board scrambles to "fix" the newly issued standard for matters that could have been identified and resolved before the standard was finalized. In such circumstances, some of the original implementation efforts may not have been necessary or may need to be redone in a relatively short time period under the post-issuance amendments.

Summary of our views

Our recommendations in this letter are based on the current status of the Board's proposals and on the assumption that the projects will be completed by June 30, 2011. Given the constraints and challenges noted above, we acknowledge that valid arguments can be made for various alternative approaches and that our views on effective dates and transitions may change if and when matters such as those listed above are addressed and resolved.

Our main views can be summarized as follows:

- We believe the primary objective should be that improvements to accounting and financial reporting are implemented at the earliest date that gives companies and other stakeholders adequate time to make an orderly and efficient transition.
- We prefer a phased approach over a single date, as different standards will need different implementation periods. A phased approach could also mitigate the impact of internal and external resource constraints, for example, the availability of accountants, auditors, systems consultants, and valuation professionals. We acknowledge there are also arguments in favor of a single date approach but we consider that the arguments for phased transition are stronger.
- The necessary transition period for each new or amended standard will of course vary significantly from one company to another. Effective dates should be set to take account of the companies that will be most affected, and on the presumption that companies will undertake a thorough and diligent transition process. For highest impact changes, we suggest a minimum period of three years from publication to effective date in order to allow for modification of systems and collection of data

- There are some natural groupings of standards, for example because they draw on the same principles (or should do so), and/or have inter-related scopes. We think it makes sense to cluster:
 - Comprehensive income and Financial instruments
 - Revenue recognition and Leases
- Linking these themes together leads us to a recommendation that the various new standards should be implemented on a phased basis over two or three effective dates. These are annual periods beginning on or after December 15, 2014, 2015 and 2016. We believe that early adoption should be permitted only for the new standard on Insurance contracts.
- As indicated in our separate comment letters on individual exposure documents, we have significant concerns about requiring full retrospective application of the proposed new revenue recognition guidance, and we question whether the benefits of certain provisions of the proposed leases standard would outweigh their costs.

We would be pleased to discuss our comments with you. If you have any questions, please contact Mark K. Scoles, Partner, Accounting Principles Consulting Group, at 312.602.8780 or Mark.Scoles@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP

Appendix

Questions for respondents

Question 1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:

a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.

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b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.

Not applicable.

c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.

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d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.

Not applicable.

e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

We believe the adoption of the standards will significantly impact our firm and the accounting profession in performing audits of public and private entities. The impact of adopting any new accounting standard will vary based on the industry and specific company; however, as noted in various discussion forums and comment letters, the standards referenced in this Discussion Paper are expected to have a pervasive and significant impact. Accounting firms will need to provide for the following:

- Extensive education and training on the new standards
- Review and modification of internal policies, procedures, and methodologies (See our response to Question 3 for a discussion of audit procedures.)
- Increased audit time, cost, and complexity
- Increased demand on resources, such as accounting firm national office professional standards personnel, resulting from the adoption of new accounting and other professional standards (See our response to Question 3 for a discussion of broad resource constraints.)

Additional audit efforts would not be limited to the initial application of a new accounting standard. Certain of the proposed standards, such as the proposed guidance on revenue recognition and leases, would increase the complexity and subjectivity of subsequent accounting and auditing.

Increased audit hours

We believe audit hours will increase significantly because accounting firms will need to assess their clients' implementation of, transition to, and ongoing application of the new standards. For example, accounting firms will need to audit new estimates, including the assumptions, judgments and methodology for developing those estimates. Additionally, auditors will need to consider, and where required, report on the client's internal controls over new or changed financial reporting systems and processes.

Increased demand on accounting firm national office resources

We have also noted the increased demand on accounting firm national office resources due to the complexities and judgments involved in auditing our clients' adoption of new, complex standards. Accounting firms, including ours, have internal policies requiring consultation or discussion with regional or national office professional standards personnel in auditing a client's implementation of new or revised standards.

Impact of proposed accounting standards

The following summary sets out our high level observations on the degree of cost and effort required to implement each proposed new standard. This is based on our perception of the impact on our firm and clients.

We have characterized the impact as high or low to reflect the fact that this summary is generic. We do not wish to imply an artificial degree of precision given that the impact of each new or amended standard will vary significantly from one company to another.

Project	Impact summary
Accounting for financial instruments and revisions to the accounting for derivative instruments and hedging activities, including netting of financial instruments	High. Classification and measurement changes will require entities to review potentially high volumes of financial assets and apply new classification criteria. Many entities will need to re-design portfolio structures and make other system changes. The move to an expected loss impairment model is likely to make significant demands on data and systems.
Revenue recognition: revenue from contracts with customers	High. The impact will vary but most clients will be affected. In some cases new data requirements will arise (for example estimates of: sales returns, failed sales customer default rates, time value of money, and variable consideration outcomes). New requirements on distinct performance obligations and control transfer and expanded disclosure requirements will require new policies, procedures and judgments. As revenue transactions are recurring and frequent, systems changes and parallel running for retrospective application will commonly be necessary.
Leases	High. The leasing proposals will require both lessees and lessors to obtain new data and make new estimates (and re-estimates) about future outcomes in areas such as option periods and contingent rents. Some of the calculations will be complex (on re-estimation in particular).
Insurance contracts	Potentially High (for insurance entities). New U. S. insurance contract accounting standards that would require implementing significant system changes for entities with large numbers of insurance contracts would be likely to have a high impact.
Comprehensive income	Low. The effect is limited to presentation of information that is already reported under existing U.S. GAAP.

Question 2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?

The time required will be directly affected by matters identified in our General comments and in our responses to Questions 1(e), 3, and 4. We cannot provide specific time estimates for each proposal or type of activity but considered such matters in our response to Question 5.

b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Our response to Question 1(e) describes the primary drivers of costs we expect to incur, which include:

- Education and training on the new requirements for our professionals and for our clients
- Preparation and revision of internal and external publications and guidance materials
- Review and modification of our internal policies, procedures and methodologies
- Audit of the transition accounting and internal controls related to the adoption of new accounting standards
- Recurring audits of accounting under the new standards that increase the complexity and subjectivity of subsequent accounting

Often, for the adoption of a pervasive new standard, we need to increase the amount of face to face training that occurs in order to create deeper technical expertise within an office or practice and to increase the effectiveness of the training. For example our training related to the release of stock-based compensation included national and local office sessions that involved audit, tax and valuation professionals. We would anticipate the need for a similar effort and expense in rolling out training on the standards discussed in this paper. In addition, our clients will expect us to help them understand the new standards.

For our clients, related activities and costs will include:

- Education and training on the new requirements
- Development and documentation of revised accounting policies and procedures to make the necessary judgments and estimates
- Changes to charts of accounts
- System changes necessary to collect additional data and process the required data in accordance with revised policies
- Development and documentation of appropriate internal controls
- Additional audit cost arising from:
 - Audit of the transition accounting for each new standard
 - Audit of new or modified internal controls in compliance with the requirements of Sarbanes-Oxley
 - Recurring additional audit cost due to the increased complexity and subjectivity of subsequent accounting under the new standards
- External communications and education of analysts
- Review and possible revision of wider business arrangements such as lending agreements, incentive plans and treasury procedures

We believe that systems changes and related policies, procedures, and controls will be very significant cost components and drivers for accounting firms and clients. Systems changes will or may be necessary when a new accounting standard applies to high volume or frequently recurring transactions or balances, and its application requires:

- Collection of incremental data (forward-looking data in particular)
- Complex valuations or other measurement processes
- Frequent re-estimations

The total cost of system changes necessary for the application of a new financial accounting or reporting standard will include the cost of developing appropriate internal controls. Such changes are likely to increase audit efforts and costs especially for SEC registrants required to obtain audits of their internal controls.

Question 3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Effects in the broader financial reporting system

We do foresee some wider effects on jurisdictional systems of taxation, regulation, and corporate law. Some jurisdictions use U.S. GAAP-based information for such purposes, or start with U.S. GAAP information and make adjustments thereto. We anticipate that some jurisdictional authorities will require time to assess the new requirements and implement any consequential changes as necessary. However, the effects are by their nature jurisdiction-specific, and we are not in a position to advise on how these matters should be factored into the Board's timing decisions.

For individual companies, the changes will also have wider commercial effects in areas such as borrowing covenants, sale and purchase agreements, employee incentive plans and treasury operations.

Auditing standards and procedures

We are not aware of any specific requirements in the proposed new accounting standards that would necessitate changes in auditing standards, although we encourage dialogue with both the AICPA's Auditing Standards Board and the Public Company Accounting Oversight Board (PCAOB) to obtain their views on this matter.

We do note, however, that the proposed standards will require auditors to consider fundamental changes in risk assessment, documentation of management's processes and internal control testing, and substantive procedures. For many entities, audit teams will need to adopt a "start from scratch" approach. For example, the generally accepted audit approach for revenue of obtaining third party evidential matter (such as confirmations of accounts or terms with customers) will need to be modified and supplemented to include the auditor's assessments of judgments and estimates that are being introduced in the proposed standard (specifically identification of contractual assets and partial performance, among others). As indicated in our response to Question 2(b), we believe the firms will need to develop internal guidance for audit teams to recognize and respond to those changes.

Broad resource constraints

The impact of changes will vary greatly from one preparer to another, but most preparers are likely to be significantly affected by at least one of the new standards. This may result in broad constraints on resources required for implementation. For example, the availability of resources, such as accountants, auditors, valuation consultants, and systems consultants, to

implement an accounting standard might be constrained. The demands for such services would be affected by the pervasiveness of the accounting and systems changes throughout the preparer community. Auditors of SEC registrants may be required to audit new or modified internal control systems as well as the related accounting change. For example, the systems and procedural changes required to implement the new lease accounting would have a pervasive impact on entities with a large number of leases. The adoption of these new accounting standards has been compared to the impact of the initial implementation of Sarbanes-Oxley. Additional demands on these resources during the transition period could result from

- How and when the proposed standards are finalized, including the effective dates and transition methods adopted
- Changes in private company accounting standard and standard setting process
- Implementation of other FASB “targeted” GAAP improvements
- SEC direction on IFRS adoption by SEC registrants

Question 4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Transition for individual proposals

The following comments were included in our responses to individual exposure drafts and proposed FASB Updates.

Leases ED

Our December 15, 2010 comment letter on the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) Exposure Draft, *Leases* (Leases ED), included the following comments on the proposed transition.

We are concerned that the guidance [on the proposed requirement to recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach] might not be sufficient for all scenarios that lessors and lessees would / could face on transition. While there is an exception provided for plain vanilla finance leases in the transition, it is not clear how to account for sales-type leases that would no longer meet the criteria for sales recognition.

We believe that full retrospective application is necessary when the lease meets the criteria for classification as a sale or a purchase. We believe that full retrospective application is not feasible if the proposed accounting for options, contingent rentals, or impairment is included in the final standard. Full retrospective accounting may be possible if the option periods and contingent rentals are excluded from the performance obligation and right-of-use asset, and the right-of-use asset is not subject to impairment testing.

We believe that transition requirements should also include provisions for leases that would qualify as sales or purchases under the proposed guidance but not under existing guidance and those that qualify as sales under existing guidance but would not under the proposed guidance. The transition rules should also provide guidance for those situations where a sale and leaseback have deferred gains or losses that would not be deferred under the proposed guidance.

We believe that considerable work remains to be done on the lease accounting model, including the accounting by lessors, the distinction between a sale and a lease, and, especially, the measurement provisions of the standard. At the current time, we believe that the proposals are conceptually inconsistent with the proposed model in the Revenue ED, complex, and often tending toward rules instead of principles with bright lines where a small change in judgment could have a significant impact on the accounting results. Accordingly, we do not believe that, as proposed, the benefits of the proposed standard would outweigh the costs.

Private companies

The question of the implementation date for private companies may depend in part on what the Boards decide in regards to other projects currently pending. We believe that there may be compelling reasons for a different implementation date for private companies in some scenarios. We are especially concerned that the large number of current projects could create resource constraints as large numbers of companies move to update their information technology, internal controls, and financial reporting processes. The more complex the requirements, the more severe those resource constraints could be. In general, we believe that lessor accounting could readily coincide with changes in revenue recognition if the accounting methods align as we have suggested. If the models differ, it may be preferable to delay implementation of the lease accounting models until the revenue recognition guidance has been implemented simply from a resource-constraint and cost perspective.

Another factor to consider is the relationship between private company accounting implementation dates and the adoption of IFRS by the United States. If the United States elects to adopt IFRS in the near future, we believe that it would make more sense for private companies to wait until the proposed changes have been incorporated into IFRS for SMEs. It would not be productive to have private companies in the United States implement the proposed standard as U.S. GAAP and then transition again to IFRS for SMEs. Therefore it would make sense to see whether the U.S. will be moving to adopt IFRS for SMEs or make other provisions for private company accounting standards before determining an implementation date for private companies. Similarly, it might be necessary to resolve the issue of future accounting standards for not-for-profit organizations before requiring those organizations to implement the final standard.

Revenue ED

Our October 21, 2010 comment letter on the IASB and FASB Exposure Draft *Revenue from Contracts with Customers* (Revenue ED), included the following comments on the proposed transition.

Retrospective application will clearly be challenging for some entities but the alternatives are unattractive. We therefore agree with the Boards' proposal provided that the effective date allows a sufficient period for the transition.

We suggest limited retrospective application for the latest 2 (or 3) years. This would limit the need for hindsight in certain jurisdictions where companies are required to report multiple years of financial information.

We suggest that a sufficient period would be a minimum of three years. Companies will need time to modify systems and will need to run parallel systems for at least two years to retrospectively apply the guidance. This standard would be very difficult to apply if the information is not gathered contemporaneously.

Private companies

We suggest that the information required in paragraphs 75, 76 and 78 [of the Revenue ED] would be less useful in non-public financial statements. Trend information is less beneficial in the non-public entity environment and the costs of providing the information will likely outweigh the benefits.

We also suggest that the guidance be applied prospectively to contracts entered into or materially modified from the beginning of the fiscal year of adoption, with an option for retrospective application.

Financial Instruments proposed Update

Our September 1, 2010 comment letter on proposed FASB Accounting Standards Update, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* (Financial Instruments proposed Update), included the following comments on the proposed transition.

Yes, [we agree with the transition provision in the Financial Instruments proposed Update] although we do not believe the proposed transition guidance properly addresses certain issues related to the proposed core deposit liability remeasurement approach. For example, the Board should consider the impact to an existing core deposit intangible asset upon transition. Also, we believe the Board should consider a situation in which, as part of a business combination, a negative core deposit intangible would have been recognized. Under ASC 805, the acquirer would reduce goodwill rather than recognize a negative core deposit intangible. Upon adoption of the proposed Update, it is unclear whether an entity would recognize the cumulative effect adjustment to goodwill or to retained earnings, as it would appear that the proposed guidance would not prohibit an entity from recognizing a

negative value for the difference between the amortized cost and the amount determined by applying the core deposit liability remeasurement approach.

After the Board reaches tentative decisions on classification and measurement, credit impairment, and hedging, we believe that additional field visits should be undertaken in order to gauge effort needed to implement the changes. We believe that a minimum of eighteen months from the date of issuance to the adoption date would be needed to implement the proposed guidance. However, such an implementation period could be affected by a variety of factors outside of an entity's control including, but not limited to, the following:

- § When the Board issues a final Update
- § How quickly data service providers could make the necessary system changes that will likely be required by the proposed Update
- § Issues associated with concurrently implementing other final Updates
- § Any regulatory changes that would require additional implementation activities, such as changes due to the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Securities and Exchange Commission's changes to Regulation AB Broad implementation issues

Private companies

Because we do not agree with the Board's tentative conclusions in a number of areas within the proposed Update, we do not agree that the effective date should be delayed for nonpublic entities with less than \$1 billion in total consolidated assets. The proposed deferral indicates that issues in our comment letter relating to the cost and benefit of estimating fair value for many financial assets and financial liabilities are valid for most, if not all, entities that would be significantly impacted by the proposed changes.

If the Board does maintain the proposed deferral, it would appear that certain financial institutions and others could qualify to subsequently measure financial liabilities, such as noncore deposit liabilities and Federal Home Loan Bank advances, at amortized cost during the deferral period. This may be the case if an entity has a greater proportion of loans to investments. However, we note that certain entities may be over the 50 percent threshold, as discussed in paragraph 30 of the proposed Update, if they have a greater proportion of investments to loans. In our view, only investments and derivatives should be required to apply the new classification and measurement date on a non-delayed basis.

Broader Implementation considerations

In addition to our comments on the individual exposure drafts and proposed Update, we considered transition for a new accounting standard in the context of a broad implementation plan covering all the new requirements.

Overall, we understand that the objective of retrospective application is to provide information to facilitate historical trend analyses and improve comparability between reporting entities at

the time a new standard is initially applied. However, practical expedients should be provided when retrospective application is unduly costly, impractical or would involve substantial and inappropriate use of hindsight.

The extent of retrospective application required for a new accounting standard will have a direct effect on implementation cost and the length of the transition period required to implement the standard. The transition period necessary for full retrospective application of a new standard may also be affected by resource constraints if other significant new accounting standards become effective during the transition period of the retrospectively applied standard. As a result, phased effective dates for the new standards may not provide for corresponding phased implementation cost and efforts. For example, in our response to Question 5(c), we have suggested that the revenue recognition standard become effective for annual periods beginning on or after December 15, 2015, which is one year later than the effective date we have suggested for the financial instruments standard. However, if the revenue recognition standard requires full retrospective application, the two standards may require concurrent implementation efforts and systems changes to begin capturing information that will be required for the later application of the revenue recognition standard. An early start on implementation efforts and a longer period between issuance and effective date for retrospective application would be important to limit need for hindsight when companies are required to report multiple years of financial information.

In order to introduce improvements to financial reporting at the earliest date, while providing for adequate time for an orderly and efficient transition in the context of a broad implementation plan for new accounting standards addressed in the Discussion Paper, we suggest that the FASB consider alternatives to full retrospective application similar to the transition for FASB Accounting Standards Update (ASU) 2009-13, *Multiple Deliverable Revenue Arrangements*. The guidance in ASU 2009-13 applies on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, unless the vendor elects retroactive application. In the year of adoption, a vendor electing prospective application must disclose information that enables users of the financial statements to understand the effect of the change in accounting principle if the pending content that links to this paragraph is adopted on a prospective basis. Prospective application could reduce the implementation time and cost, while transition disclosures help users assess the effect of the change.

Question 5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

We believe the overall objective should be to introduce improvements to financial reporting at the earliest date consistent with companies and other stakeholders having adequate time to make an orderly and efficient transition. Effective dates should be set to take account of the companies that will be most affected, and on the presumption that companies will undertake a thorough and diligent transition process. Our recommendations on effective dates in this letter are based on the current status of the Board's proposals and on the assumption that the new standards will be issued by June 30, 2011. Our views on effective dates and transitions may change if and when matters such as those noted in the General comments section of this letter and in our responses to Question 3 are addressed and resolved.

We favor a phased approach over a single date, because a phased approach could mitigate the impact of internal and external resource constraints, for example, the availability of accountants, auditors, systems consultants, and valuation professionals.

In practice, however, this objective should not result in a large number of discrete effective dates. This is because:

- For low impact changes we believe a minimum period of 12 months from publication to effective date is normally appropriate.
- For high impact changes we suggest a sufficient period would be a minimum of three years. This applies to requirements for which companies will need to modify systems, collect additional data and (in some cases) undertake parallel reporting to compile comparative information. Also see our response to Question 4 for consideration of the effect of retrospective application on the length of the transition period.
- We recommend that the FASB standards become effective for annual periods beginning on or after December 15.
- As noted in our response to Question 5(c) below, we believe there are some natural groupings among the proposals.

The main advantage of sequential effective dates under a phased approach is that preparers, auditors, and users will be able to spread the burden of transition and avoid a major resource peak in a single reporting season. Also, under a phased approach, some of the new guidance may be implemented earlier than under the single date approach. Because of resource constraints, the single effective date for all the new standards would need to be later than the earliest effective date under a phased approach.

In contrast, the main perceived advantage of a single date approach is that it might mitigate the loss of comparability over time by minimizing the periods in which the significant new standards are adopted or restatements of comparative information will be commonplace. However, we note this is achieved only if early adoption is prohibited and the FASB provided a "quiet period" during the transition period when no other new accounting standards could become effective. In the U.S. the number of periods affected by ongoing accounting changes

will also be affected by implementation of other FASB standards, decisions on convergence or adoption of IFRS and decisions on the future direction of private company standard setting.

Disadvantages of the single date approach include concerns about internal and external resource constraints. The overall effect of a single effective date approach is that companies will continue to report under what might be regarded as obsolete accounting standards over several reporting periods because a longer single transition period would be necessary to mitigate the effects of resource constraints.

While we do not dismiss the case for a single date approach, we find the arguments for a phased approach more compelling.

b. Under a single date approach, what should the mandatory effective date be and why?

We suggest a mandatory effective date of annual periods beginning on or after December 15, 2015.

This would result in preparers with a December 31 reporting date adopting the changes in the financial year ending December 31, 2016. This might enable presentation of comparative information as at December 31, 2015 and December 31, 2014, and for the year ending December 31, 2015. If presentation of additional, earlier comparative periods is not required, the suggested effective date would result in a period of 30 months between the June 30, 2011 publication date and beginning of the earliest comparative period. Whether this transition period would be sufficient to enable entities to develop their new accounting policies, accumulate the required information and implement systems requirements may depend on other factors discussed thorough out our responses. For example, a reporting entity required to present additional, earlier comparative periods using full retrospective application of a complex new standard might need additional time.

c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

We think it makes sense to group the effective dates as follows:

- Financial instruments and Comprehensive income
- Leases and Revenue recognition

Overall, we suggest the following mandatory effective dates, based on the current status of the Board's proposals and assuming that all of the standards listed will be issued by June 30, 2011.

Paragraph 4 of the Discussion Paper indicates that the FASB intends to continue making "targeted improvements to U.S. GAAP" not covered in this table. We urge the FASB to consider that the implementation cost and efforts for such targeted improvements could be

significant and could impact the ability to implement the standards listed below in the suggested timeframe. For example, amended consolidation guidance is likely to require significant and wide-spread efforts to reassess existing entities even if the consolidation conclusions do not change.

Project	Suggested effective date Annual periods beginning on or after
Accounting for financial instruments and revisions to the accounting for derivative instruments and hedging activities, including netting of financial instruments	December 15, 2014
Revenue recognition: revenue from contracts with customers	December 15, 2015
Leases	December 15, 2015
Insurance contracts	December 15, 2016, with early application permitted
Comprehensive income	December 15, 2014

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

We are not aware of another approach.

Question 6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Generally, we do not think the Board should allow early adoption of the new standards. That could preserve some comparability between companies during the transition period before adoption. However, if the IASB permits or requires application of a new IFRS for Insurance contracts prior to a mandatory effective date the FASB would require for a new FASB standard, we suggest that the FASB permit early adoption of the corresponding FASB standard. An entity might want to early adopt that industry specific guidance to provide comparability within the industry.

7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

As indicated in our responses to other questions, we support a phased approach to adoption of the standards covered by the Discussion Paper (Question 5) and believe that a longer transition period for private companies may be helpful. (Question 9).

Question 8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

We support the convergence process as a means to improve both U.S. GAAP and IFRS and facilitate the possible adoption of IFRS in the U.S. Also, requiring the same effective dates and transition methods for comparable FASB and IASB standards might reduce the total cost of adoption for global companies that use U.S. GAAP for external reporting and IFRS for reporting at the subsidiary level. However, we suggest that convergence around effective dates and transition methods is a secondary issue and not essential to achieving those objectives. This is because:

- IFRS and U.S. GAAP have different starting points and the transition challenges therefore differ
- The outcomes of the FASB and IASB deliberations may not be identical standards in all cases
- U.S. requirements on comparative information differ from the IFRS requirements
- In the U.S. environment the need to allow time for language translation and jurisdictional adoption procedures is not applicable

Question 9. How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

See our responses to Question 4 for our comments on proposed transition and effective dates for private companies in the Lease ED and the Revenue ED.

Currently, the FASB has the responsibility and authority to promulgate U.S. GAAP for nonpublic and well as for public entities. Unless and until relieved of that responsibility, we believe the development of any new FASB standard should include full and appropriate due process for private and not-for-profit entities before the standard is finalized. Such considerations may require a slower, more comprehensive standard setting process.

The January 2011 report of the Blue-Ribbon Panel on Standard Setting for Private Companies recommends that the FASB “consider a delay for private companies in the effective date of major new standard, especially those issued in connection with the FASB-IASB Memorandum of Understanding (MOU) projects, that is longer than the now-routine one-year delay [from the public company effective date].”

It may be helpful to provide a longer transition period by delaying effective dates of the new standards for private companies, with the expectation that earlier public entity implementation will have identified and resolved implementation issues. However, simply delaying a new standard's effective date for private entities may not adequately address the effect that differences between public and private entities may have on the cost, effort, and resources required to implement a new standard or on the usefulness of information provided under the standard. Differences that should be considered include

- **Fair value measurements.** The cost, effort, and resources required to measure the fair value of a private entity may be greater than what is required to measure the fair value of an entity that has issued publically traded equity securities.
- **Financial statement users.** The nature and needs of private entity financial statement users may differ from those of public company financial statement users.

If a new standard setting body is established to promulgate U.S. GAAP for private companies, the FASB should consider private company standard setting when deciding on transition and effective dates for FASB's public entity standards. For example, the availability of resources, such as trained accountants, valuation consultants, and systems consultants, to implement a public company accounting standard might be constrained by their involvement with implementing different private company standards.