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

File Reference No. 2011-190

Re: Proposed Accounting Standards Update *Technical Corrections*

Dear Ms. Cospers:

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Technical Corrections*.

We support the Board's effort to maintain the technical accuracy of the *FASB Accounting Standards Codification*. We agree that such a process or perpetual project should limit the need for periodic agenda requests for minor items and that the process should be limited to minor changes that do not significantly affect current account practices. We also agree with Board's effort to conform the use of the term "fair value" throughout the codification.

We generally agree with, and support finalizing, the proposed technical corrections to the Codification. The appendix contains our responses to questions for respondents in the proposed ASU and notes some concerns about the technical corrections as well as suggestions for improving them. The appendix also identifies additional technical corrections that we believe the Board should deliberate and expose for public comment as part of its perpetual technical corrections project.

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please contact Adrian Mills at (203) 761-3208.

Yours truly,

Deloitte & Touche LLP

cc: Bob Uhl

Appendix
Deloitte & Touche LLP
Responses to Questions

Question 1: Do you agree with the proposed amendments to the Codification described in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

We generally agree with the amendments to the Codification described in the proposed ASU. However, as discussed below, we have some concerns about the amendments described in certain paragraphs of the proposal as well as some suggestions for improving them.

General Considerations

Paragraph 27 (ASC 815-10-15-17 and 15-19)

ASC 815-10-15-17 notes that “the scope exception also shall **or may** apply in any of the following circumstances” (emphasis added). We recommend deleting the phrase “or may.” The use of “or may” could lead some to conclude that the guidance is elective, which we do not believe is the Board’s intent.

The paragraph also contains the phrase “continuing policy.” We recommend that the Board clarify how to apply this phrase to entities that have entered into a particular market for the first time (i.e., whether a “continuous” policy can be elected upon entry into a particular market for the first time).

The Board also should clarify that for contracts described in ASC 815-10-15-19, an entity must document its basis for concluding that it is probable that such contracts will not settle net and will result in physical delivery before the contracts can qualify for the scope exception for regular-way security trades. A similar caveat has been added to ASC 815-10-15-17(c)(3) and was previously contained in paragraph 59(a) of Statement 133.

Paragraph 205 (ASC 310-40-35-2)

We agree that ASC 940 and ASC 946 are examples of “specialized industry practice.” However, it is not clear why the scope exception for certain troubled debt restructuring accounting requirements under this paragraph is limited to those items for which it is a specialized industry practice to measure receivables (including debt securities) at fair value. There are other instances in which receivables are measured at fair value on a recurring basis (e.g., trading securities under ASC 320 or receivables for which the fair value option has been elected under ASC 825). We recommend that the Board clarify whether these other instances of recurring fair value measurements of receivables are within the scope of this paragraph.

Plan Accounting Considerations

Paragraph 59 (ASC 962-325-50-1)

The identification of investments representing 5 percent or more of net assets is a quantitative disclosure that should be included as a separate footnote disclosure rather than as part of the accounting policies footnote. We also propose that the Board consider updating the language in this paragraph and in ASC 965-325-50-1(b) to be consistent with the guidance in ASC 960-325-50-2 on defined benefit plans.

Paragraph 279 (ASC 960-30-45-2)

The proposed amendments would require that an entity segregate the net appreciation (depreciation) in fair value for each significant class of investments between investments whose fair values are categorized within Level 1, 2, and 3 of the fair value hierarchy. Currently, entities are only required to make a distinction “between investments whose fair values have been measured by quoted prices in an active market and those whose fair values have been otherwise determined.” We recommend that the Board conduct additional outreach activities with users and preparers of financial statements to better understand the costs and benefits of such a change, because preparers may not already track this information (i.e., the net appreciation (depreciation)) by fair value hierarchy level.

Paragraphs 282, 288 and 293 (Example Illustration Considerations)

The examples in these ASC paragraphs may be not be consistent with practice because they include information that is not required by U.S. GAAP. We recommend that the Board consider updating the examples to include dates and information that would be more current (e.g., change 1981 to 20X2). In addition, we suggest that the Board remove the share count and principal amounts from the examples because these are not required to be disclosed under ASC 820 or ASC 960/962/965. The AICPA Audit and Accounting Guide *Employee Benefit Plans* does not include this information, and because such information is displayed in the examples, entities might infer that it is required under U.S. GAAP.

Paragraph 283 (ASC 960-325-45-1)

Under this paragraph’s presentation guidance, an entity would be required to classify its investments by level in the fair value hierarchy in the “Statement of Net Assets Available for Benefits.” However, the level in the fair value hierarchy is also a disclosure requirement under ASC 820, and thus this requirement would also be satisfied in the notes to the financial statements. We recommend that the Board clarify whether it intends to require this information both on the face of the financial statements and within the footnotes.

Question 2: Will any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions? If so, please describe the instance(s) in which the proposed amendment(s) will significantly affect the application of U.S. GAAP and as well as the transition provisions that should be provided.

We agree with the Board’s proposal to include transition guidance for the amendments discussed in paragraphs 47, 287, and 298 of the proposed ASU.

Question 3: Are there other changes that should also be made that are directly or indirectly related to the noted changes? Please note that the Board will conduct technical correction projects on a periodic basis and additional changes may be postponed to a subsequent technical corrections project.

We recommend that the Board make the additional technical corrections outlined below.

ASC 505-30-30-8 (Retirement of Treasury Shares)

ASC 505-30-30-8 describes two acceptable methods of accounting for the excess of repurchase price over par or stated value when a corporation’s stock is retired. Those two methods are:

- Allocating the excess between additional paid-in capital and retained earnings.
- Charging the excess entirely to retained earnings.

These methods are consistent with paragraph 12(a)(i) of Accounting Principles Board (APB) Opinion No. 6, *Status of Accounting Research Bulletins*, which is the basis for ASC 505-30-30-8. However, paragraph 12 of APB 6 also indicates that these two methods are in addition to the accounting practices indicated in Chapter 1B of Accounting Research Bulletin (ARB) No. 43, *Restatement and Revision of Accounting Research Bulletins*. Paragraph 7 of Chapter 1B of ARB 43 indicates that “there is general agreement that the difference between the purchase price and the stated value of a corporation’s common stock purchase and retired should be reflected in capital surplus.” Capital surplus can be interpreted to mean additional paid-in capital (see current text below).

We recommend that the Board amend ASC 505-30-30-8 to clarify that there is a third acceptable method for accounting for the excess of the repurchase price over par or stated value when a corporation’s stock is retired (i.e., charge the excess entirely to additional paid-in capital).

The Board may find the following paragraph from the current text helpful because it reflects the combined effect of ARB 43 and APB 6:

Retirement of Treasury Stock
C23.102

- .102 If an enterprise's [capital] stock is retired, or purchased for constructive retirement (with or without an intention to retire the stock formally in accordance with applicable laws):
- An excess of purchase price over par or stated value may be allocated between additional paid-in capital and retained earnings. The portion of the excess allocated to additional paid-in capital shall be limited to the sum of (1) all additional paid-in capital arising from previous retirements and net "gains" on sales of treasury stock of the same issue and (2) the pro rata portion of additional paid-in capital, voluntary transfers of retained earnings, capitalization of stock dividends, etc., on the same issue. For this purpose, any remaining additional paid-in capital applicable to issues fully retired (formal or constructive) is deemed to be applicable pro rata to shares of common stock. Alternatively, the excess may be charged entirely to retained earnings in recognition of the fact that an enterprise can always capitalize or allocate retained earnings for such purposes [paragraph 12(a) of APB 6] **or may be reflected [entirely as a deduction from] additional paid-in capital.** [Paragraph 7 of Chapter 1B of ARB 43. (Emphasis added).]
 - An excess of par or stated value over purchase price shall be credited to additional paid-in capital. [Paragraph 12(a) of APB 6.]

ASC 815-20-25-15(j) (Hedgeable Risks for Cash Flow Hedges)

In describing hedgeable risks for forecasted purchases or sales of a financial asset or liability, paragraph 29(h) of Statement 133 stated that “[t]wo or more of the above risks may be designated simultaneously as being hedged.” This language is not included in ASC 815-20-

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25-15(j). Similar language for fair value hedges formerly in paragraph 21(f) of Statement 133 was codified in ASC 815-20-25-12(f). We recommend that the Board amend ASC 815-20-25-15(j) to provide the ability to hedge two or more qualifying risks simultaneously.

ASC 805-740-25-13 (EITF Issue Nos. 86-9 and 94-10)

ASC 805-740-25-13 indicates that with appropriate disclosure, there are three acceptable methods for allocating the consolidated tax provision if there has been a continuation of the historical basis for financial reporting at the same time as there is a tax basis step-up. Those methods are:

- a. Modify the intra-entity tax allocation agreement so that taxes are allocated to the acquired entity on the preacquisition tax basis
- b. Credit the tax benefit from the tax-basis step-up to the acquired entity's additional paid-in capital when realized
- c. Credit the tax benefit to income of the acquired entity as a permanent difference when realized.

ASC 805-740-25-13 reflects the consensus of the EITF in Issue No. 86-9, "IRC Section 338 and Push-Down Accounting."

In EITF Issue No. 94-10, "Accounting by a Company for the Income Tax Effects of Transactions Among or With Its Shareholders Under FASB Statement No. 109," the Task Force reached a consensus that the tax effects of all changes in the tax bases of assets and liabilities caused by transactions among or with shareholders should be included in equity. If transactions among or with shareholders result in recognition of deferred tax assets from changes in the tax bases of assets and liabilities, the effect of valuation allowances initially required upon recognition of those deferred tax assets should also be included in equity. Issue 94-10 is codified in ASC 740-20-45-11(g) and ASC 740-10-45-21.

ASC 805-740-25-13(c) appears to conflict with the Task Force's conclusion in Issue 94-10. In addition, ASC 805-740-25-13(b) appears to be inconsistent with the general principle of ASC 740 to recognize the tax consequences of all temporary differences. We recommend that the Board consider eliminating or correcting these inconsistencies.

ASC 605-25-15-3A(b) (Incomplete Reference)

ASC 605-25-15-3A(b) should be amended to state, in part:

Solely for purposes of the allocation between deliverables within the scope of another Topic and deliverables not within the scope of that other Topic, the selling price shall be determined using the guidance as discussed in paragraphs 605-25-30-6A **through 30-6C**. [Emphasis added]

Currently, this sentence concludes with "through 30-6B." However, ASC 605-25-30-6C contains guidance on the vendor's best estimate of selling price, which is also relevant.

ASC 820-10-35-18D (Nonfinancial Derivatives)

ASC 820-10-35-18D limits the application of the guidance on offsetting positions in market risks or counterparty credit risk to financial assets and financial liabilities. We recommend that the Board amend this paragraph such that it also permits the application of the guidance on offsetting positions in market risks or counterparty credit risk to nonfinancial derivatives. Nonfinancial (e.g., commodity) derivatives have many of the same characteristics as financial

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assets and financial liabilities (e.g., readily convertible to cash) and can be managed in a manner consistent with the guidance in ASC 820-10-35-18E.

Question 4: Are there any significant operational issues that the Board should consider in determining the appropriate effective date for the final amendments?

For most of the proposed amendments, we recommend an effective date that is no earlier than the first interim or annual periods beginning after June 15, 2012. Our response to Question 1 identified certain potential operational issues about pension disclosures that the Board should consider and that may warrant an extension of the effective date beyond the first interim or annual periods beginning after June 15, 2012.

Question 5: The proposed amendments in this proposed Update would apply to public and nonpublic entities. Should any proposed amendments be different for nonpublic entities? If so, which proposed amendment(s) and why?

The amendments in the proposed ASU should be the same for both public and nonpublic entities.