December 23, 2014

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Exposure Draft, “Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs” (File Reference No. 2014-250)

Dear Technical Director:

We appreciate the opportunity to comment on the Board’s Exposure Draft, Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs. We support the Board’s objectives of the simplification initiative and agree that areas of U.S. generally accepted accounting principles (GAAP) for which cost and complexity can be reduced without sacrificing the usefulness of the information provided to users should be evaluated and improved.

The Board notes that having different balance sheet presentation requirements for debt issuance costs and debt discount or premium may create unnecessary complexity and that the requirement to recognize debt issuance costs as deferred charges is inconsistent with International Financial Reporting Standards (IFRS). We support the Board’s decision to require debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, which would eliminate the existing difference with IFRS.

Overall Plan to Address Complexity in Accounting Standards

While we support the Board’s efforts to address unnecessary complexity in accounting standards through its narrow-scope projects within the simplification initiative, we believe that there are significant issues with complexity in accounting standards and financial reporting beyond the scope of narrow projects to simplify specific provisions within existing standards. In addition to the narrow simplification initiatives, we believe the Board should develop a broader overall plan to address systemic causes of complexity within accounting standards and financial reporting. That plan should result in development of a framework on how the Board will identify, evaluate,
and prevent or mitigate potential complexity on an ongoing basis as an integral aspect of its standard-setting activities. The Board also should develop plans to address more significant areas of complexity in existing standards beyond the scope of the narrow projects within the simplification initiative. The narrow projects within the simplification initiative appropriately address concerns about complexity from the perspective of the application of a specific provision of a standard. We believe development of an overall framework on complexity should consider and address cost and complexity based on the potential impacts on the overall standard-setting process and financial reporting system, including complexity for financial statement users.

Development of a framework to address concerns about complexity should include research on the underlying causes of complexity in accounting standards and financial reporting and document a process for how the Board would intend to address those causes. Although not all inclusive, we believe development of a framework on complexity should identify how the Board will minimize or eliminate complexity that may result from, for example:

- Multiple models of accounting for the same or similar transactions, assets, or liabilities such that similar economic events and transactions are reported differently.
- Standards that may be viewed as inconsistent with the Board’s conceptual framework.
- The lack of clear principles on which a standard is based, inconsistent use of principles within a standard, or a lack of clarity about how to determine when exceptions to principles are appropriate.
- Inconsistent approaches to transition and standards with multiple transition alternatives, extended required effective dates, grandfathering of existing transactions, and early adoption elections.
- Differences in accounting standards for different types of entities.
- Standards that include provisions to achieve specific outcomes, such as through the use of other comprehensive income.

We encourage the Board to expand its efforts to address concerns about complexity in accounting standards beyond the narrow scope projects within the simplification initiative and develop an overall plan to address the broader systemic causes of complexity in financial reporting. We believe the development of a framework on complexity and a plan to address complexity in existing standards beyond the scope of the narrow projects within the simplification initiative should be subject to due process, including exposure for public comment.
We look forward to working with the Board as it continues to explore other opportunities for change as part of the simplification initiative. Our responses to the Board’s specific questions and our other observations are set forth in Appendix I. If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419 or Patrick Garguilo at (212) 954-2852.

Sincerely,

KPMG LLP

KPMG, LLP
Appendix I

**Question 1:** Should debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts? If not, why?

Yes, we believe it would be appropriate to present debt issuance costs in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The amendments in the proposed Update would eliminate the inconsistency with IFRS.

**Question 2:** Should the proposed guidance be applied on a retrospective basis?

We support the application of the proposed guidance on a retrospective basis as retrospective application will enhance comparability of the financial information without imposing significant costs on the issuers of the financial statements.

**Question 3:** How much time will be necessary to adopt the amendments in this proposed Update? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

We do not believe entities will require significant time to adopt the proposed amendments as the information on the debt issuance costs should be readily available.