September 16, 2019

Submitted via email: director@fasb.org
Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2019-750

Dear Technical Director:

Mayer Hoffman McCann P.C. (MHM) welcomes the opportunity to comment on the Proposed Accounting Standards Update, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. MHM is a national accounting firm with offices in over 30 locations across the country. We perform a wide variety of services including audit and accounting related services for a diverse client base that includes both public and private entities.

We have observed in the implementation of ASC Topic 606 that many private companies lack the resources to properly and timely implement new accounting standards. We have also noted that for similar reasons many smaller reporting companies (SRCs) find it difficult and costly to implement new accounting standards. We believe that if these entities had additional time to observe the larger public company implementation, disclosure, and Securities and Exchange Commission (SEC) comment process related to new standards, that their cost and difficulty in implementation would be reduced.

With the adoption of ASC Topic 606, we have found that many private companies continue to face significant resource challenges. In some cases, we have observed that these entities have had difficulty hiring staff with appropriate knowledge and training, or finding external service providers when necessary, to assist in the implementation. Granting further relief for the next group of new standards that must be implemented as proposed by the Proposed Accounting Standards Update will undoubtedly be welcome by preparers, consultants, and auditors.

We also believe that the proposed two bucket approach is simpler to apply than the existing method based on the definition of a public business entity. It would be of particular benefit for private companies, which at times have difficulty in identifying when they meet the criteria of a public business entity.

For these reasons, we generally support the proposed delay of effective dates and the proposed philosophy for extending and simplifying the staggering of effective dates. We believe it is an improvement over the existing required effective dates and delayed effective date philosophy. However, as described in the attached appendix we propose additional consideration or changes to the Proposed Accounting Standards Update for your consideration. In particular we identified items for your consideration related to Questions 1, 2, 3 and 7.

The attached appendix to this letter includes our responses to the questions for respondents raised in the Proposed Accounting Standards Update. We appreciate the opportunity to provide comments on the Exposure Draft. Please contact James Comito, Director of Professional Standards, jcomito@CBlZ.com.

Sincerely,
**Question 1:** Is the two-bucket approach described and applied in this Update understandable? If not, please explain why.

*While the two bucket approach can be readily understood and appears easy to apply, we believe further improvement would be beneficial. Based on the existing definition in US GAAP for Broker- Dealers, certain investment companies, and a Securities and Exchange Commission (SEC) Filer a Regulation A Tier II filer would meet the definition of a SEC Filer. These entities would be SEC Filers because they are required to file or furnish financial statements to the SEC. These entities typically have less investor interest, are generally smaller, and have fewer resources than Smaller Reporting Companies (SRCs). We believe they should receive the same deferral of effective date that SRCs receive. We request the FASB consider re-defining which entities qualify for Bucket One in the two-bucket approach. Due to the need to resolve uncertainty related to the adoption date of the accounting standards addressed in this Update, in the interest of expediency, we recommend that the FASB exempt these entities from the earliest effective date for those areas of US GAAP addressed by this Update. Further consideration of the definition, including the creation of a new definition for this purpose, can be given at a later date for future standards.*

*If the Update were issued as currently proposed, we recommend that the Board include examples of the types of entities that are required to meet the earliest effective date to avoid confusion, including describing for entities that elect to be required to file financial statements with the SEC. An example of one such entity is a Regulation A filer that has raised less than $20 million. Under Regulation A Tier I, such an entity would be required to furnish financial statements to the SEC in its Offering Circular, but is not required to file annual financial statements on an ongoing basis. Explaining whether this entity is 1) permanently in bucket one; 2) in bucket one at the time of the offering circular and moves to bucket two subsequently, or 3) permanently in bucket two would be critical to insure consistency in the application of the effective dates of accounting standards.*

**Question 2:** Should the population of SEC filers that are afforded a delayed effective date (that is, excluded from bucket one) be entities eligible to be SRCs as defined by the SEC? If not, what definitional threshold, if any, do you suggest and why?

*We believe the use of the SEC definition is appropriate for determining the exception for SRCs because it alleviates the Board from maintaining and updating the definition from time to time as the SEC definition changes. However, as discussed in Question 1 we believe that additional exceptions are necessary. The use of the existing definitions as defined by the SEC would also likely be an expedient and appropriate.*

**Question 3:** Should the determination of whether an entity is eligible to be an SRC be based on its most recent determination in accordance with SEC regulations as of the date that a final Update is issued? If not, what determination date should be applied?

*We believe that the method currently applied in practice for emerging growth companies (EGCs) is the appropriate method for determining the effective date that is applicable. In practice today, an EGC may make a deferral election to use the delayed effective date available to entities other than public business entities. If the entity then losses EGC status at the point of the loss of EGC status it must apply the public business entity effective dates. Although this approach poses challenges for EGCs, we believe that it avoids the potential for unintended consequences related to the order in which accounting standards are applied when switching between bucket one and bucket two.*

*That said, we recommend that, if this approach is adopted, the Board clarify that a loss of SRC status for an entity that occurs in the interim of a year be required to follow bucket one during the next annual period rather than immediately. Such an approach eliminates some of the challenges with the existing practice for EGCs on the timing of transition from the deferred election.*
**Question 4:** Should Credit Losses be effective for entities eligible to be SRCs, private companies, not-for-profit organizations, and employee benefit plans for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years? If not, please explain why.

*We agree with the proposed deferral, and believe that the deferral should be made available to certain other entities as discussed in Question 1.*

**Question 5:** Should Hedging be effective for all entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

*We agree with the proposed deferral.*

**Question 6:** Should Leases be effective for (a) private companies, (b) not-for-profit organizations (excluding those that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market), and (c) employee benefit plans (excluding those that file or furnish financial statements with or to the SEC) for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

*We agree with the proposed deferral.*

**Question 7:** This question is for future major Updates and not the amendments in this proposed Update. Under the revised effective date philosophy, certain public business entities, including SRCs, and nonpublic business entities would have a deferred effective date. Should interim reporting be required in the same year as the annual financial statements or in the subsequent year for these entities when they provide interim financial statements?

*We believe it is in the interest of investors in SRC's to apply new accounting standards during the interim reporting in the same year as the adoption of the financial statements. However, based on our observations of the implementation of ASC Topic 606 among private companies, and their interactions with the banks and owners that are the primary users of the financial statements, we believe that the current method is most appropriate for them. Therefore, our preference is for SRCs to be required to adopt in the interim periods in the annual period in which they adopt, while all other entities be required to adopt for the interim periods subsequent to the first annual period of adoption.*

*If the above were not an available option we would prefer, consistent with existing practice, that all entities that receive the deferred effective date be required to adopt in the interim periods subsequent to the first annual period of adoption.*