January 12, 2015

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

File Reference No. EITF-14A

Dear Ms. Cosper:

McGladrey LLP is pleased to comment on the proposed Accounting Standards Update, *Earnings per Share (Topic 260), Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions* (the proposed ASU). We support the provisions of the proposed ASU and its amendments to the existing guidance on the allocation of earnings or losses of a transferred business before the date of a dropdown transaction for purposes of calculating earnings per unit under the two-class method. The absence of explicit guidance in ASC 260 has created diversity in practice which will be eliminated by the proposed ASU.

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

**Question 1:** Should the scope of the proposed amendments be limited to entities within the scope of the Master Limited Partnerships Subsections of Topic 260 that retrospectively adjust their financial statements as a result of a dropdown transaction accounted for as a transaction between entities under common control in accordance with Subtopic 805-50?

We agree that the scope of the proposed amendments should be limited to entities within the scope of the Master Limited Partnerships Subsections of Topic 260 that retrospectively adjust their financial statements as a result of a dropdown transaction accounted for as a transaction between entities under common control.

**Question 2:** When a dropdown transaction occurs that is accounted for as a transaction between entities under common control, should a reporting entity allocate the earnings (losses) of the transferred business to the general partner interest so that no restatement of the previously reported earnings per unit of the limited partners is required?

We believe that the allocation of the earnings or losses of the transferred business solely to the general partner is appropriate. We believe that the proposed approach is consistent with the two-step approach itself (specifically, paragraph 260-10-45-65, which states that undistributed earnings shall be allocated based on contractual participation rights). The limited partners have no legal right/obligation to the earnings or losses prior to the date of the dropdown transaction. Instead, the historical earnings of the transferred business for periods prior to the date of the dropdown transaction are solely those of the general partner and, therefore, they should be allocated to the general partner when applying the two-class method.
Question 3: Should a reporting entity be required to disclose how the rights to the earnings (losses) of the transferred business differ before and after the dropdown transaction occurs for purposes of computing earnings per unit under the two-class method?

We agree with the proposed disclosure requirement, and believe that it would enhance transparency related to the impact of the dropdown transaction on the calculation of earnings per unit.

Question 4: Should the proposed amendments be applied retrospectively?

We believe that retrospective application is the most appropriate method of adoption, and we would not expect the costs of retrospective application to be significant.

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

We believe minimal time will be required to retrospectively apply the changes as a result of the proposed amendment given that the information should already exist and be readily available to preparers of financial statements.

We appreciate this opportunity to provide feedback on the proposed guidance and would be pleased to respond to any questions the Board 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