October 5, 2015

Technical Director
File Reference No. EITF-15E
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116
Submitted via email to director@fasb.org

Re: Proposed Accounting Standards Update — Derivatives and Hedging (Topic 815) Contingent Put and Call Options in Debt Instruments

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the proposed Exposure Draft (ED), Proposed Accounting Standard Update — Derivatives and Hedging (Topic 815) Contingent Put and Call Options in Debt Instruments, issued by the Financial Accounting Standards Board (the Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members’ interests. VSCPA membership consists of more than 12,000 individual members who actively work in public accounting, private industry, government and education. We acknowledge that the Board has issued the ED in an effort to resolve the diversity in practice resulting from the two views on accounting for contingent and put and call options embedded in debt instruments. VSCPA appreciates the work the Board has undertaken on this effort and the opportunity to respond to the ED.

The VSCPA offers the following comments related to the “Questions for Respondents” section of the ED:

Question 1: Do you agree that the assessment of whether a contingent call (put) option in a debt instrument that can accelerate the repayment of principal is clearly and closely related to its debt host should require only an assessment of the four-step decision sequence and not an additional assessment of the event that triggers the ability to exercise the call (put) option? If not, why?

Yes. The Committee believes that the four-step decision sequence was the original intention of the Board. The subsequence guidance from the Derivatives Implementation Group (DIG) that resulted in the additional assessment of whether the event that triggers the ability to exercise the call (put) option is indexed only to interest rates or credit risk was not appropriate.

Question 2: Do you agree that the effects of the proposed amendments should be applied on a modified retrospective basis as of the beginning of the fiscal year, and interim periods within that fiscal year, for which the proposed amendments are effective? If not, why?

Yes. The Committee agrees that applying the effects of the proposed amendment on a modified retrospective basis, including the related disclosure requirements, would provide the most useful information for financial statement users.

Question 3: Do you agree that a reporting entity should have a one-time option, as of the beginning of the fiscal year for which the proposed amendments are effective, to irrevocably elect to measure a debt instrument affected by the proposed amendments in its entirety at fair value with changes in fair value recognized in earnings? If not, why?

Yes, the Committee believes in the one-time option to irrevocably elect to measure a debt instrument affected by the proposed amendments at fair value, with changes in fair value recognized in earnings.
The Committee is less convinced that an entity should elect the fair value option on an instrument-by-instrument basis. It would seem less complicated and more consistent to require the election for all of its debt instruments rather than permitting a discretionary cherry picking of certain instruments.

**Question 4:** How much time would be needed to implement the proposed amendments and should the implementation period for entities other than public business entities differ from the implementation period for public business entities? Should early adoption be permitted? Please explain why.

The Committee believes that the additional time to implement the proposed amendments should be minimal and, ultimately, should result in a time savings by the elimination of the requirement to assess the trigger event. Accordingly, we can see no substantive reason why the implementation periods should be different for entities other than public business entities. Similarly, we see no substantive reason why early adoption should not be permitted.

**Question 5:** Should a reporting entity be required to provide the transition disclosures specified in this proposed Update? Should any other disclosures be required? If so, please explain why.

Yes. The Committee sees no reason why a reporting entity should not adopt the standard transition disclosures in paragraphs 250-10-50-1(a), (b) (3), and 50-2, as applicable.

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Again, the VSCPA appreciates the opportunity to respond to the ED. Please direct any questions or concerns to VSCPA Vice President of Advocacy Emily Walker at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Charles M. Valadez, CPA, CGMA
Chair

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