June 22, 2016

To: Technical Director, File Reference No. EITP-16A


The Accounting and Auditing Standards Committee of the Maryland Association of Certified Public Accountants appreciates the opportunity to comment on the proposed Accounting Standards Update, Statement of Cash Flows (Topic 230) Restricted Cash. The Committee contains a diverse range of academics, practitioners and industry members and we were able to discuss this matter from a variety of different perspectives.

In general, we agree with the proposal to address the lack of guidance and diversity in practice. Without the changes, transfers between cash and restricted cash are improperly reflected as cash inflows and outflows from operating, investing, and financing activities.

RESPONSES TO SPECIFIC QUESTIONS

Question 1: Do you agree that the statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents? If not, please explain what presentation is more appropriate and why.

Most of the committee is in agreement as long as the items are material and related to external restrictions, as opposed to internal management restrictions.

Question 2: Do you agree that if the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents at the beginning and end of the period shown on the statement of cash flows cannot be reconciled to the amounts of similarly titled line items on the statement of financial position, an entity should disclose on the face of the statement of cash flows or in the notes to the financial statements, the amounts and line items in which such amounts are reported within the statement of financial position? If not, please explain why that information would not be useful.

Yes, we agree it should be disclosed. We also agree with the sample disclosure provided in the draft.
Question 3: Do you agree that an entity should be required to disclose information about the nature of restrictions on its cash and cash equivalents? If not, please explain why that information would not be useful.

Yes, we agree.

Question 4: Would disclosures of the amounts of gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents (excluding transfers, constructive or actual, that result in a concurrent cash receipt from or a concurrent cash payment to an outside source) provide meaningful information to financial statement users? Please explain why.

No, we do not think disclosure of gross transfers is necessary. It is not relevant since the amounts that are restricted at the end of each period are already disclosed.

Question 5: Should any other disclosures be provided? If so, please explain what disclosures should be provided and why that information would be useful.

No additional disclosures should be provided.

Question 6: Do you agree that the proposed amendments should be applied using a retrospective transition method? If not, please explain what transition method would be more appropriate and why.

Yes, we agree.

Question 7: Do you agree that an entity should be required to provide the transition disclosures specified in the proposed Update? Should any other transition disclosures be required? If so, please explain what transition disclosures should be required and why.

We agree that disclosure is necessary and should be limited to disclosing the change in accounting policy.

Question 8: How much time will be necessary to implement the proposed amendments? Do entities other than public business entities need additional time to apply the proposed amendments? Why or why not?

The proposed transition dates are reasonable including the extra year provided to non-public business entities.
Question 9: Should early adoption be allowed? Why or why not?

Yes, we agree early adoption should be allowed.

Our Committee appreciates the effort by the Board. We are available to discuss any of these comments at your convenience.

Sincerely,

Maryland Association of CPAs
Accounting & Auditing Standards Committee

The following individuals worked on reviewing and commenting on the proposed Accounting Standards Update, Statement of Cash Flows (Topic 230) Restrict Cash:

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