June 27, 2016

Financial Accounting Standards Board
Technical Director, File Reference No EITF-16A
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to: Director@fasb.org

RE: Exposure Draft April 28, 2016 - Proposed Accounting Statements Update - Statement of Cash Flows (Topic 230) - Restricted Cash

Ladies and Gentlemen:

The Accounting Principles and Auditing Procedures Committee ("Committee") is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes as well as members in both industry and academia. The majority of the members of the Committee primarily serve small and medium sized clients. The Committee has reviewed and discussed the above-mentioned Exposure Draft. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the Organizations with which the Committee members are affiliated.

First the Committee thanks the FASB for the opportunity to comment on this Exposure Draft.

The Committee has reviewed the Exposure Draft as detailed above. The Committee is overall supportive of the work of the FASB.

The members of the Committee mainly are preparers, auditors and advisors to small and medium sized entities.

General Comments

The Committee is generally not in favor of the Exposure Draft.

Members of the Committee have expressed the concern that the Exposure Draft will result in confusion. The members further feel that the application of the update will not provide enhanced financial information which should be the purpose for enacting any Update.

The members of the Committee generally feel the present general concepts under present standards related to restricted cash should continue to be applied. By changing the standard
several members of the Committee felt the proposed change was going in the wrong direction of less clarity as opposed to greater clarity.

See the Committee answers below for greater clarity on the above.

The Committee does make one other point. In the proposed change under 23010-55-19 the Committee struggled to understand the change to the Consolidated Statement of Financial Position. The Committee was confused by the change resulting by the addition of $330 on the other long-term asset line plus the addition of various titles for current and long term assets and liabilities. Only after reference back to the current 23010-55-19 did the committee finally understand that this proposed Update was technically correcting the present 230-10-55-19. This correction was not explained either in the Summary or the Background information. The addition of the long-term assets of $330 to the long-term restricted cash of $100 greatly resulting in other long-term assets of $430 confused the Committee. The Committee recommends in the future that if this method of technical correction is to be included that it be detailed better in the explanation of the Proposed Update or done as part of a technical correction Update.

Response 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.

Response

The Committee believes presenting restricted cash as being included as a part of cash and cash equivalents on a statement of cash flows will confuse users of financial statements in regard to how much cash is available for an entity to operate effectively. The balance as derived in the statement of cash flows will be greater than the cash balance presented in the statement of financial position which will not include long-term "restricted cash" accounts.

The Committee feels a better way to present the changes of the balances in restricted cash accounts during a period could be through presenting a reconciliation in the notes to the financial statements. The note disclosure should be a full reconciliation from the beginning of the period to the end of the period. This disclosure should detail inflows and outflows involving third parties plus any transfers to/from unrestricted cash accounts.

Thus as we express above under general comments the Committee does not believe that the Proposed Update will provide meaningful information that will explain changes during the period in the total cash that remains available for an entity to operate.
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.

Response
The Committee, as expressed above, does not believe the Proposed Update should go forward. However, if the Board decides to advance this Proposed Update as presently presented, the Committee feels that the beginning and end of the period amounts shown in the statement of cash flows for cash and cash equivalents and restricted cash should be reconciled, either on the face of the financial statements or in a note thereto, to the amount of similarly titled items in the statement of financial position.

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.

Response
As detailed above the Committee has concerns that a presentation of a statement of cash flows that contains a balance for cash and cash equivalents at the beginning and end of the period that includes restricted cash as part of the balance will confuse users of financial statements, regarding how much cash is available for the entity to operate.

The New York Society of CPAs’ comment letter of June 21, 2016 on this Proposed Update suggests additional required disclosures, which the Committee agrees with here and recommends to the Board, be added in addition to information about the nature of restrictions on an entity’s cash and cash equivalents.

The additional required disclosures are as follows:

Amounts and terms of restriction (including when such restrictions will cease to be in effect) for separate items or groups of items for which a restriction is imposed, such as governmental (e.g., HUD) or debt obligation (e.g., payment of real estate taxes and insurance or servicing of mortgage principal and interest).

When an unclassified balance sheet is presented, identification of restricted cash and terms of restriction, with a focus on liquidity.
Identification of accounts in the statement of financial position with titles other than restricted cash, such as "assets limited as to use," that, in essence, are restricted cash and should require disclosures commensurate with restricted cash.

A disaggregated roll forward by item or group of items included within restricted cash from beginning of period to end of period that identifies the sources of third-party cash inflows and outflows (e.g., payment of bond principal and interest), as well as amounts of transfers received from or returned to operating cash accounts.

**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.

**Response**

See the Committee's response under Question 3 above.

**Question 5**

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

**Response**

The Committee, as expressed above, does not believe the Proposed Update should go forward. However if the Proposed Update is advanced forward, the Committee recommends disclosures regarding the liquidity of restricted cash be added. Information about the amounts expected for available use within a period subsequent to the date of the financial statements should be disclosed.

**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.

**Response**

The Committee, as expressed above, does not believe the Proposed Update should go forward.

The Committee agrees that the amendments should be applied retrospectively if it is to be implemented.
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.

Response
The Committee, as expressed above, does not believe the Proposed Update should go forward.

The Committee agrees that an entity should be required to provide the transition disclosures specified in the Proposed Update if it is be implemented.

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?

Response
To implement the Proposed Update will vary based on the entity doing the implementation. The Committee does recommend that non-public entities be allowed an effective date one year after the effective date for public entities. Non-public entities have few resources to implement Standards Updates and many times review how public entities implement Standards Updates to gain information on how to implement Standards Updates themselves.

Question 9
Should early adoption be allowed? Why or why not?

Response
Early adoption should be allowed.

Thank you for allowing us the opportunity to comment on these exposure drafts.

Very truly yours,

Philip B. Pacino, CPA, Chairman
Accounting Principles and Auditing Procedures Committee
Massachusetts Society of Certified Public Accountants