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Technical Director
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Proposed Accounting Standards Update: Income Statement—Extraordinary and Unusual Items (Subtopic 225-20)
Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items

The Accounting Principles and Assurance Services Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee consists of 53 members, of whom 47 percent are from local or regional CPA firms, 27 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

**Question 1:** Should the concept of extraordinary items be eliminated from GAAP? If not, why not?

The Committee believes that the concept of extraordinary items be eliminated from GAAP.

**Question 2:** Should the proposed Update be applied prospectively to extraordinary items occurring after the date of adoption?

The Committee believes that the proposed Update should be applied retrospectively. Items previously classified as an extraordinary item should be reclassified to income from continuing operations (and the tax effect to income taxes applicable to income from continuing operations). The Board in its basis for conclusions states that the potential benefit of applying the Update retrospectively does not justify the costs that would be incurred. The committee does not believe the costs to accomplish this would be significant when compared to the benefit of having comparable financial statement presentation.
**Question 3:** Should the proposed Update be effective in annual periods, and interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted? Should there be a delay in the effective date for entities other than public business entities and why?

The Committee agrees with the proposed effective date and transition. It does not believe there should be a delay in the effective date for entities other than public business entities.

We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

Michael D. Feinstein  
Chair  
Accounting Principles and Assurance Services Committee  
California Society of Certified Public Accountants