16 November 2015

Ms. Susan M. Cosper
Technical Director
File Reference No. PCC-15-01
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Proposed Accounting Standards Update, Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), and Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance (a proposal of the Private Company Council) (File Reference No. PCC-15-01)

Dear Ms. Cosper:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), and Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance, a proposal of the Private Company Council (the Proposed ASU), issued by the Financial Accounting Standards Board (FASB or Board).

We continue to support providing relief to private companies under US GAAP to reduce the burden of financial reporting for them, while maintaining relevant information for the users of their financial statements. We believe that the Proposed ASU would meet that objective by allowing private companies to forgo a preferability assessment the first time they adopt an existing Private Company Council (PCC) alternative. Additionally, we support the PCC's recommendation that the FASB consider whether any current or future private company alternatives developed by the Board should receive the same treatment as the alternatives within the scope of the Proposed ASU.

We support extending the transition guidance in the PCC alternatives indefinitely to allow private companies to benefit from favorable transition provisions as intended by the FASB and the PCC. However, we do not believe it's necessary to add a provision indicating that private companies can forgo a preferability assessment the first time they elect to apply the guidance in ASU 2014-03, Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach. We believe that Accounting Standards Codification (ASC) 815 already provides the flexibility that the PCC is seeking for private companies.

Our responses to the questions posed in the Proposed ASU are set out in the appendix to this letter.
We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

Ernst & Young LLP
Appendix – Responses to questions posed in the Proposed ASU, *Intangibles – Goodwill and Other (Topic 350), Business Combinations (Topic 805), Consolidation (Topic 810), and Derivatives and Hedging (Topic 815): Effective Date and Transition Guidance (a proposal of the Private Company Council)*

**Question 1:** Please describe the entity or individual responding to this request.

For example:

a. Please indicate whether you primarily are a preparer, user, or public accountant. If other, please specify.

b. If you are a preparer of financial statements, please indicate whether your entity is privately held or publicly held and describe your primary business and its size (in terms of annual revenue, the number of employees, or other relevant metric).

c. If you are a public accountant, please describe the size of your firm (in terms of the number of partners or other relevant metric) and indicate whether your practice focuses primarily on public entities, private entities, or both.

d. If you are a user of financial statements, please indicate in what capacity (for example, lender, investor, surety, analyst, or rating agency) and whether you primarily use financial statements of private entities or those of both private entities and public entities.

We are one of the largest firms that audits both public and private entities. We currently audit about 2,400 private entities in the US, ranging from small start-ups and family-owned enterprises to large privately held multinational corporations.

**Question 2:** Would the proposed amendments adequately address private company stakeholder concerns, if any, about the assessment of preferability when a private company accounting alternative within the scope of this proposed Update is elected for the first time after its effective date? If not, please explain why.

We believe that the proposed amendments would address stakeholder concerns about assessing preferability when a private company elects a PCC alternative for the first time. We agree that voluntary changes made when adopting a PCC alternative or moving away from a PCC alternative should be recorded and disclosed in accordance with ASC 250 (subject to our comments regarding the hedging alternative in Question 4). However, as the PCC alternatives represent an optional accounting framework that is available to all nonpublic business entities, we do not believe assessing preferability when voluntarily electing to apply a PCC alternative, at any time, or move away from a PCC alternative is necessary, and it should not be required.

**Question 3:** Would the proposed amendments adequately address private company stakeholder concerns, if any, about the transition guidance in Update 2014-02? If not, please explain why.

Yes, we believe that the proposal to allow private companies to prospectively apply the goodwill accounting alternative in ASU 2014-02, *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, would adequately address stakeholder concerns.
**Question 4:** Would the proposed amendments adequately address private company stakeholder concerns, if any, about the transition guidance in Update 2014-03? If not, please explain why.

We agree that private companies should be allowed to apply a retrospective approach (full or modified) to existing qualifying swaps the first time they choose to adopt the guidance in ASU 2014-03. We also agree that subsequent to the initial adoption of this guidance, the simplified hedge accounting approach should be applied prospectively to any existing qualifying swaps.

However, we do not believe a provision indicating that private companies can forgo a preferability assessment the first time they elect to apply the guidance in ASU 2014-03 is necessary. ASC 815 already indicates that a change in the method of assessing hedge effectiveness is not considered a change in accounting principle as defined in ASC 250\(^1\) and that a change in the assessment method need not be justified as a preferable method of applying an accounting principle under ASC 250.\(^2\)

**Question 5:** Do you agree that no additional disclosures should be required as a result of the proposed amendments? If not, please explain why.

We agree that no additional disclosures should be required as a result of the proposed amendments.

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\(^1\) ASC 815-20-35-20.
\(^2\) ASC 815-20-55-56.