June 28, 2016

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2016-220
Re: Proposed Accounting Standards Update, Technical Corrections and Improvements

Dear Ms. Cosper:

Deloitte & Touche LLP is pleased to comment on the FASB’s proposed Accounting Standards Update (ASU) Technical Corrections and Improvements.

We support the Board’s commitment to a standing project on technical corrections, clarifications, and minor improvements to the FASB Accounting Standards Codification (the “Codification”). Limiting this project to minor changes that do not significantly affect current practice seems the most practical and efficient way to resolve technical issues related to the Codification.

We generally agree with, and support finalizing, the proposed technical corrections. Appendix A contains our responses to the proposed ASU’s questions for respondents and notes our concerns about certain technical corrections as well as suggestions for improving them. Appendix B identifies additional technical corrections that we believe the Board should deliberate and expose for public comment as part of its ongoing technical corrections project.

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We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please feel free to contact Stefanie Tamulis at (203) 563-2648.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl
Appendix A
Deloitte & Touche LLP
Responses to Proposed ASU’s Questions for Respondents

Question 1: Do you agree with the proposed amendments to the Accounting Standards Codification described in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

We generally agree with the proposed amendments. However, as discussed below, we have concerns about certain technical corrections described in the proposal as well as suggestions for improving them.

Paragraph 4 — Terms to Be Amended in the ASC Master Glossary

We are concerned that the proposed changes to the ASC master glossary term “benefits” may obscure the scope of benefits subject to ASC 715-60 and ASC 965 because substituting “health and welfare plan” for “other postretirement benefit plan” might inadvertently narrow the scope of nonpension benefits covered by the glossary term “benefits.” As an alternative to the proposed definition in paragraph 4 of the proposed ASU, we suggest that the FASB consider revising the definition as follows (deletions in strikethrough; additions underlined):

The monetary or in-kind benefits or benefit coverage to which participants may be entitled under a pension plan or other postretirement benefit plan, including health care benefits, life insurance, legal, educational, and advisory services, pension benefits, disability benefits, death benefits, and benefits due to termination of employment. Benefits under a postretirement benefit plan often contain those provided under a health and welfare plan (which can cover active, terminated, and retired participants or their dependents or beneficiaries) and may also include benefits attributable to termination of employment if those benefits are paid from a pension or other postretirement benefit plan.

Similarly, if the definition of benefits is changed in accordance with our suggestion above, the first definition of plan assets in the ASC master glossary should also be revised to refer to postretirement benefits (including a health and welfare plan, which can cover active, terminated, and retired employees or their dependents or beneficiaries); this would differ from the proposed revision, which refers to a health and welfare plan.

Paragraph 64 — Amendments to ASC 815-20

The proposed edits to ASC 815-20-55-24 remove the phrase “all of” before the list of circumstances that an entity should consider when evaluating the probability of a forecasted transaction. We acknowledge that the revised wording is consistent with the pre-Codification standard FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities; however, unless practitioners reference the precodified language when evaluating the probability of forecasted transactions, this modification may have an impact on entities’ financial statements. We recommend adding transition guidance to clarify how an entity should apply the guidance upon adoption of the revised paragraph.

Paragraph 102 — Amendments to ASC 860-20

Paragraph 102 proposes that ASC 860-20-50-2 be modified to add language from paragraph 16D of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. We recommend clarifying that this reference is to Statement 140 as amended by FASB Statement No. 166, Accounting for Transfers of Financial Assets.

Paragraph 90 — Amendments to ASC 944-605

The proposed change to ASC 944-605-55-1 notes that entities “should” offset amounts recoverable and payable if a right of setoff exists in accordance with ASC 210-20. It is unclear why the revised guidance indicates that entities “should” offset balances while the previous guidance indicated that entities “may” offset such amounts. For
example, ASC 210-20-45-2 states, “A debtor having a valid right of setoff may offset the related asset and liability and report the net amount” (emphasis added).

**Question 2:** Will any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions or that the Board should consider in determining the appropriate effective date for the final amendments other than those noted in the Summary section, titled “What Are the Transition Requirements and When Would the Amendments Be Effective?” If so, please describe.

We do not believe that any of the proposed amendments would either result in substantive changes to the application of existing guidance or require transition provisions other than those described in Question 1 above.

**Question 3:** Are there other changes that should be made that are directly or indirectly related to the noted changes? Please note that the Board will conduct technical correction projects on a periodic basis, and additional changes may be postponed to a subsequent technical corrections project.

We do not see a need for other changes that are directly or indirectly related to the changes noted in the proposed ASU. However, we believe that the Board should make the additional technical corrections proposed in Appendix B below as part of its next application of this standing project.

**Question 4:** The proposed amendments would apply to public and nonpublic entities. Will any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) will require special consideration and why?

We believe that the amendments in the proposed ASU should apply to public and nonpublic entities equally.
Appendix B
Deloitte & Touche LLP
Additional Technical Corrections

We recommend that the Board make the additional technical corrections outlined below.

ASC 470-10 (Debt)

The wording of ASC 470-10-45-1 could cause confusion because both the second and third sentences refer to a covenant violation that gives the lender the right to call the debt, although the sentences use slightly different wording. A practitioner, in applying the guidance in the paragraph, may find it unclear whether the same condition is repeated twice or whether these are two separate conditions. We believe that the paragraph would be clearer if it were revised as follows (deletions in strikethrough, additions underlined):

Some long-term loans require compliance with certain covenants that must be met on a quarterly or semiannual basis. If a covenant violation that gives the lender the right to call the debt has occurred as of the balance sheet date (or would have occurred in the absence of a loan modification) occurs that would otherwise give the lender the right to call the debt, a lender may waive its call right arising from the current violation for a period greater than one year while retaining future covenant requirements that have covenant measurement dates within the next 12 months. In this case, unless assuming there are no other facts and circumstances that indicate otherwise, the borrower shall classify the obligation as noncurrent, unless both of the following conditions exist:

a. A covenant violation that gives the lender the right to call the debt has occurred at the balance sheet date or would have occurred absent a loan modification.

b. Unless it is probable that the borrower will not be able to cure the default (comply with the covenant) at measurement dates that are within the next 12 months.

ASC 970-10 (Real Estate)

We believe that ASC 970-10-15-3 inappropriately excludes “property used primarily in the entity’s non-real estate operations.” Since ASC 970-10-15-3 addresses overall scope, it would apply to all subsections of ASC 970. However, in tracing the origination of ASC 970-10-15-3, we noted that this wording was not explicitly included in any precodified accounting guidance other than that on real estate project costs. It appears that this wording originated in FASB Statement No. 67, Accounting for Costs and Initial Rental Operations of Real Estate Projects, which has been referenced in ASC 970-10-15-7. We believe that this scope exclusion for property used primarily in non–real estate operations should be limited to subsections addressing real estate project costs. Otherwise, companies may be inappropriately excluding transactions that are subject to other ASC 970 subsections (e.g., a transfer of real estate to a real estate venture in ASC 970-323, which should be applied regardless of whether the property was used in the entity’s non–real estate operations before the transfer).

ASC 970-323 (Real Estate — Investments — Equity Method and Joint Ventures)

The primary source of the guidance in ASC 970-323 is AICPA Statement of Position (SOP) 78-9, Accounting for Investments in Real Estate Ventures. SOP 78-9 was not limited to transfers of real estate as a contribution when the equity method is used. Rather, it applied more generally to transfers to a real estate venture for an investment in that venture (e.g., the receipt of a cost method investment). Codifying SOP 78-9 only in ASC 970-323 implies that the concepts are limited to equity method investments. We believe that the Codification should clarify that the guidance is not limited to equity method investments.

Previously Proposed Technical Corrections

We would like to point out that technical corrections to the following paragraph, as proposed in our comment letter dated December 1, 2014, have not yet been made:

- ASC 805-740-25-13 (EITF Issue Nos. 86-9 and 94-10).