December 23, 2019

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the proposed Accounting Standards Update (ASU) No. 2019-800: Codification Improvements issued by the Financial Accounting Standards Board (the Board).

The VSCPA offers the following comments related to the “Questions for Respondents” section of the proposal:

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

Yes, the VSCPA agrees. By removing external references to sometimes contradictory guidance and moving the external guidance language into the codification, it will make compliance with GAAP easier. Also, by adding and moving some guidance into the correct disclosure sections, it will help the codification user to better implement the guidance.

**Question 2: Would any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions? If so, please describe.**

Since the main purpose of this Update is to eliminate contradiction and pull externally referred guidance into the codification, there is no need for transition provisions as the guidance is not changing. It is simply being presented in a clearer fashion.

**Question 3: Would the proposed amendment to Topic 805, Business Combinations (Issue 10), affect your assessment of liabilities assumed in a business combination?**

No. The amendment simply pulls in the definition from the referred to Concepts Statement No. 6. In addition, it clarifies the connection to Topic 480.

**Question 4: The proposed amendments related to issue 37 would be effective immediately. Do you have concerns with that and, if so, why? Can you apply the guidance on a modified retrospective basis if you already have adopted the amendments in Accounting Standards Update No. 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Debt Securities? Do you agree with the transition disclosure? If not, please explain why.**
Having this proposed amendment be effective immediately would not be an issue. Much of this amendment is related to ASU 2017-08. This ASU has an effective date of December 15, 2018 for public entities and December 15, 2019 for nonpublic entities. Because this amendment will not be an ASU until 2020, the immediate effectiveness of this amendment should not be an issue.

Since this amendment, Issue 37, is similar, if not identical to ASU 2017-08, it would seem if you have adopted ASU 2017-08, there would be no requirement to show an adoption of the ASU that results from this exposure draft. In a quick reading of ASU 2017-08, it has the same modified retrospective presentation as presented is this exposure draft. This means, if you have already adopted 2017-08, there would be no change in accounting principal with the adoption of this ASU (once issued), since its presentation would already be adopted.

The VSCPA is fine with the transition disclosure requirements of 320-20-65-X.

Question 5: For entities that have adopted the amendments in Accounting Standards Update No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, the proposed amendments related to Issues 38 and 49 would be effective immediately. Do you have any concerns with that and, if so, why? Do you agree with the transition disclosures? If not, please explain why.

The VSCPA has no issues with Issues 38 and 49 being effective immediately. In addition, we agree with the transition disclosures.

Question 6: Are there other changes that should be made that are directly or indirectly related to the proposed amendments?

The VSCPA sees no additional changes that need to be made at this time.

Questions 7: The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendments require special consideration and why?

In general, it has been standard procedure that any amendments to the Codification requiring a change in accounting principal, especially those that require retrospective or modified retrospective adoption, give an additional year for nonpublic companies to apply the change. We believe that most of the more complex portions of this Update that would require retrospective or modified retrospective treatment would affect only a small number of nonpublic entities, and those entities would be larger entities with personnel who have the experience necessary to more effectively adopt those complex changes.

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Again, the VSCPA Committee appreciates the opportunity to respond to this Exposure Draft. Please direct any questions or concerns to VSCPA Senior Director, Learning, Linda Newsom-McCurdy, CAE, at lnewsom-mccurdy@vscpa.com or via phone (804)612-9421.

Sincerely,

Bo Garner, CPA, MBA
Chair

2018–19 VSCPA Accounting & Auditing Advisory Committee

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