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June 26, 2019

Via email to director@fasb.org

Mr. Shayne Kuhaneck, Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Disclosure Improvements—Codification Amendments in Response to the SEC's Disclosure Update and Simplication Initiative (File Reference No. 2019-600)

Dear Mr. Kuhaneck:

We are pleased to provide comments on the Board's proposal to update the Codification in response to the SEC's recent rulemaking.

We generally agree with the proposed changes. However, this assumes the SEC eliminates the overlapping requirements in its own literature such as those related to repurchase agreements, as well as the information about unused lines of credit and weighted-average interest rates on debt. That is, we do not believe it will be an improvement to the financial reporting system for the FASB to expand its own requirements unless the SEC eliminates the referred requirements in Regulations S-X and S-K, as contemplated in Question 9 of the exposure draft.

We also have suggested omitting two of the proposed additions in the final ASU, as elaborated in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669 or Adam Brown at (214) 665-0673.

Very truly yours,

BDO USA, LLP

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Appendix

In general, we believe the FASB has responded appropriately to the items referred for consideration by the SEC and we support this opportunity to streamline the disclosure regimes in US GAAP and the SEC's guidance. However, as explained below, we recommend omitting the proposed disclosure requirements related to consolidation and related parties from the final amendments to the Codification.

Changes in Consolidated or Combined Entities
We do not believe the requirement to disclose the legal names of newly consolidated or deconsolidated entities should be required. Similarly, we see no value for doing so in combined financial statements. A reporting entity's internal organizational structure often includes a detailed and potentially complex series of legal entities. These entities are created for various legal and tax objectives and are often established with names that are likely useless to investors, or perhaps even confusing. For example, a single acquisition under Topic 805 may employ several entities between the parent reporting entity and the newly acquired business, such as:

- Holdco, Inc.
- Intermediate Merge Co. Inc.
- Merger Sub, LLC

For an acquisitive company, disclosures to this effect will clutter the footnotes. We fail to see how including the legal names of entities such as these will add value for investors, who are more naturally interested in understanding the actual underlying business. Indeed, we are not aware of requests from users to add this level of granularity to the disclosures that are already provided under Topics 805 and 810 or that information about the nature or identity of an acquisition is otherwise lacking.

If the Board finalizes this requirement, we believe most reporting entities will likely omit them on the basis of materiality. However, preparers and auditors will nevertheless have to spend some amount of time and effort assessing materiality, which we do not believe is warranted since we do not anticipate any significant benefit accruing to users of the financial statements.

Disclosure of Profits Earned from Related Parties
Given the existing requirement in Topic 850 to disclose related party transactions, we are skeptical of the need for an additional requirement to quantify "profits" or "losses" in such arrangements. The amount of a sale or purchase is typically an objectively determinable amount. However, we can envision questions about how to quantify the amount of profit or loss, e.g., whether this relates to a gross profit, an operating profit or a net profit, including the estimated tax effect. In addition, the cost structure in these arrangements may be driven by tax-planning strategies, resulting in a profit metric that is not reflective of the overall economics of the combined company. For these reasons, we recommend not finalizing this proposal.