

Technical Director
File Reference No. 2019-800
Financial Accounting Standards Board
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December 26, 2019

To the Technical Director :

This commenter appreciates the opportunity to discuss in narrative and to provide feedback on this proposed Accounting Standards Update. This proposed Update is concerned with removing references to the F.A.S.B. Concepts Statements from GAAP guidance. The Update as proposed mentions these references are no longer necessary to understand nor to apply GAAP, and that a number of these have been superseded or clarified by other Concept Statements or by newer guidance. This commenter is entirely in favor of the simplification and clarification efforts behind this proposed Update that regards the items examined in terms of measurement and recognition according to GAAP. As long as the proposed Update as approved does not bias the changes to nor accounting treatment of, nor then presentation and disclosure of transactions and items in the financial statements, the difficulties of partial or distorted interpretations of guidance are avoided. GAAP guidance documentation has the difficulty of asymmetries and asynchronies related to its interpretation and implementation that are informed by changes to the guidance and its interlocking and interconnected references. Removal of these references, even those concerning the Concepts Statements that are non – authoritative, will help eliminate erroneous perceptions about the status of Concepts Statements as non – authoritative; will avoid the definition and information distortions caused in the event of changes to GAAP guidance and the Concepts Statements; and will reduce the risk of unintended changes to any interpretations of guidance and any inviting a need to amend the Codification.

Removal of the Concepts Statement references from GAAP guidance is to highlight the cohesiveness of the Codification Standards and other accounting standards and their interpretations given future changes to GAAP guidance, and will simplify and improve the effectiveness and efficiency of future changes to guidance, the Codification and the Concepts Statements. The result of this will be a furtherance of proper guidance and a reduction in inappropriate reliance upon the non – authoritative Concepts Statements in the future.

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.

This commenter agrees overall with the amendments to the Codification in this proposed Accounting Standards Update. The reasons for this are in addition to simplification and clarification of the contents

of the proposed Update, the probability that accounting treatments, given these amendments, will not substantively change given again the provisions and guidance of these amendments.

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.

This commenter believes that the proposed amendments of this Accounting Standards Update will not result in significant nor material changes to the application of guidance referred to herein that would require further transition provisions. In the event further transition provisions are necessary given the existing guidance, which is not probable in the reasonable and prudent application of existing guidance to material transactions, the Board should examine the substance and character of the transactions before allowing modification of the transition rules.

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

This commenter does agree that within a business combination transaction the treatment of assumed liabilities as evaluated and assessed might not have changed, but certainly in a combination ex post these may change, and this includes the ways the liabilities are treated and their carrying value for purposes of presentation in the financial statements.

Question 4: The proposed amendments related to Issue 37 would be effective immediately. Do you have any 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 Callable Debt Securities*? Do you agree with the transition disclosures? If not, please explain why.

This commenter has no concerns as to the implementation of Issue 37 within this Proposed Accounting Standards Update and agrees with the transition rules. With respect to Issue 37 and its implementation, however, this commenter in view of materiality issues does not believe a direct adjustment to retained earnings is necessary. In place of an adjustment to retained earnings, a financial statement entry for the cumulative effect of the accounting treatment under Issue 37, if material, could be made as an extraordinary item and this would avoid an undue, even minimal, enhancement or dilution of retained earnings.

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.

This commenter agrees with the proposed amendments in the question stem above as related to Issue 38 and Issue 49 in this Accounting Standards Update and concerning their treatment of contracts and the recognition of credit losses. This commenter also agrees with the transition disclosures treatment of this Update.

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

This commenter is not aware of any additional changes concerning the proposed amendments, Statements of Concepts and related guidance, directly or indirectly that should be made at this time. The economic substance of transactions, and materiality and significance of transactions, do however infrequently change, and the amendments as proposed should recognize this for the future.

Question 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 amendment(s) would require special consideration and why?

Nonpublic entities can be subject to presentation and disclosure rules that are less restrictive than public companies, or that can be more restrictive given the nature of the nonpublic business. This is true in the for – profit entities and perhaps even more true for the non – profit entities producing nonpublic financial statements. As far as special consideration concerning particular amendments for nonpublic entities, this commenter will default to an axiom that financial statement users should not, in their interpretation of any accounting treatment and its presentation and disclosure in the financial statements, be uninformed as to the business and business purposes of the transaction or transactions underlying the financial statements and financial statement items. There are always transactions, and their treatment; and if material their presentation and disclosure, that present the possibility of requiring special treatment in the financial statements. The proposed amendments by their entirety should contain language to this effect given the number of issues presented, and that the Board has discretion to allow or deny special consideration of the transactions presented in the proposed guidance, if material, and the interpretation and treatment of these as well as other applicable transactions.

By,

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