



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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July 19, 2012

Technical Director, File Reference No. EITF-12C  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Submitted via electronic mail to [director@fasb.org](mailto:director@fasb.org)

**Re: File Reference No. EITF-12C, Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution**

Dear Sirs:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the Florida Institute of Certified Public Accountants (“FICPA”) has reviewed and discussed the subject Exposure Draft, including the eight questions posed in the “Questions for respondents,” and has the following comments related to the questions numbered below:

**Question 1.** The Committee agrees that when a reporting entity recognizes an indemnification asset (in accordance with Subtopic 805-20) as a result of a government-assisted acquisition of a financial institution and subsequently a change occurs in the cash flows expected to be collected on the asset subject to indemnification, that (a) the reporting entity should be required to account for the change in the measurement of the indemnification asset on the same basis as the change in the assets subject to indemnification, and (b) any amortization of changes in value should be limited to the contractual term of the indemnification agreement (that is, the lesser of the term of the indemnification agreement and the remaining term of the indemnified assets).

The Committee notes it is reasonable that the indemnification asset would be tied to the indemnified assets since the valuation of the indemnification asset would factor in the indemnified assets. Also, the limitation of the amortization period to the lesser of the term of the indemnification agreement and the remaining term of the indemnified asset is reasonable so as to prevent a situation where an indemnification asset is recorded after the indemnification agreement is expired, thus resulting in a residual asset, as noted in BC6.

**Question 2.** The Committee believes the scope of the proposed Update should be limited to indemnification assets (in accordance with Subtopic 805-20) as a result of a government-assisted acquisition of a financial institution.

**Question 4.** The Committee believes the practice should be applied prospectively to any new indemnification assets acquired and to changes in expected cash flows of existing indemnification assets occurring on or after the date of adoption. Retrospective application would not be cost-beneficial, as little would be gained from comparative presentation. The circumstance of government-assisted acquisitions is an infrequent event overall, thus comparative analysis would not be beneficial. Also, the focus on valuation would likely be on the most recent balance sheet date as opposed to the prior period balance sheet.

**Question 5.** The Committee believes the reporting entity should be permitted to early adopt the proposed amendments.

**Question 6.** The Committee believes an effective date of annual periods beginning after December 15, 2012 will provide entities with sufficient time in order to implement the proposed amendments.

**Question 7:** The Committee acknowledges that more time and effort could be needed if the proposed amendments were to be applied either by (a) full retrospective application to all relevant prior periods, or (b) by recording the cumulative effect of the change to beginning retained earnings in the period of adoption for all arrangements existing at that date. The amount of effort would be commensurate with the number of such government-assisted transactions entered into and the level of reporting entity record-keeping. However, the Committee believes such retrospective application should only be optional.

The Committee appreciates this opportunity to respond to this Exposure Draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Steven Morrison, CPA, Chair  
FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:  
Steven Morrison, CPA  
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