

July 22, 2014

Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via e-mail: director@fasb.org

File Reference EITF-12F

Re: Proposed Accounting Standards Update – *Business Combinations* (Topic 805)
“Pushdown Accounting”

Dear Sirs:

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced Proposed Accounting Standards Update, including the questions posed in the “Questions for Respondents” section. The FICPA has approximately 18,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of more than 20 members, of whom 42% are from local or regional firms, 24% are from large multi-office firms, 14% are sole practitioners, 10% are in international firms, and 10% are in academia or private industry. Therefore we are addressing this exposure draft both from the viewpoint of preparers of financial statements as well as those performing attest services on them. The Committee has the following comments related to the questions numbered below:

1. The Committee agrees that the guidance in the proposed Update should apply to an acquired entity, both public and nonpublic, that is a business or nonprofit activity.
2. The Committee is in agreement that the threshold for the option to apply pushdown accounting should be when an acquirer has obtained control.
3. The Committee debated both the optional and mandatory requirement without a consensus. The costs and benefits were discussed with no resolution.
4. The Committee agrees with the Task Force’s decision to apply Topic 805 when the acquired entity elects to apply pushdown accounting in its separate financial statements by using the new basis of accounting established by the acquirer for the individual assets and liabilities. The Committee could not contemplate specific circumstances where the new basis of accounting would be instituted by the acquired entity in absence of acquirer’s reporting.

5. The Committee is in agreement that an electing acquired entity should follow the subsequent measurement guidance in Topic 805 and other applicable U.S. GAAP to subsequently measure and account for its assets, liabilities, and equity instruments.
6. The Committee agrees bargain purchase gain should not be recognized at the acquired entity level when applying pushdown accounting as it is only appropriate on the acquirer financial statements.
7. Acquisition-related debt incurred by the acquirer, the Committee agrees, should only be recognized on the acquired entity financial statements as a liability when the debt is required to be reported in accordance with other applicable U.S. GAAP.
8. The consensus of the Committee is that the proposed Update offers sufficient guidance for the recognition and measurement of assets, liabilities, and equity instruments of the acquired entity.
9. The Committee agrees the disclosure requirements in Topic 805 are sufficient when applying pushdown accounting in the proposed Update.
10. Disclosure requirements, the Committee agrees, should include that it has (a) undergone a change in control event whereby an acquirer has obtained control of the entity during the reporting period and (b) elected to continue to prepare its financial statements using historical basis, in instances where the entity does not elect the option to apply pushdown accounting. The Committee believes purchase price and a description of the ownership interest would also be useful information for disclosure.
11. The Committee agrees an entity should assess at each reporting period whether its control has been obtained and the corresponding decision to apply pushdown accounting. The incremental costs and effort, the Committee agrees, may be substantial depending upon the frequency of changes in control in subsequent periods.
12. The proposed Update should be effective prospectively, the Committee agrees, to transactions in which an acquirer has obtained control after the effective date rather than complicating the application with a retrospective transition. The Committee also agrees an acquired entity should be allowed the option to apply pushdown accounting each time it has undergone a change in control as this would help entities eliminate the need to keep two separate sets of books.
13. The Committee agrees the decision to elect the option to apply pushdown accounting should be made in the reporting period in which change in control occurs and, once made, be irrevocable.
14. Proposed consequential amendments to remove guidance in Subtopic 805-50, the Committee agrees, should be made to eliminate competing guidance.

The Committee appreciates the opportunity to respond to this Proposed Accounting Standards Update. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

Julian D. Dozier, CPA
Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:
Donald K. Hulslander, CPA
Ed Cranford, CPA