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July 31, 2014

SENT VIA EMAIL

Ms. Susan M. Cosper, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: EITF 12-F, *Business Combinations (Topic 805), Pushdown Accounting, a consensus of the FASB Emerging Issues Task Force*

Dear Ms. Cosper:

Moss Adams LLP appreciates the opportunity to comment on the proposed Accounting Standards Update, *Business Combinations (Topic 805), Pushdown Accounting, a consensus of the FASB Emerging Issues Task Force* (the "proposed ASU").

Moss Adams LLP is the largest accounting and consulting firm headquartered in the Western United States, with a staff of over 2,000, including more than 260 partners. Founded in 1913, the firm serves public and private middle-market businesses, not-for-profit, and governmental organizations.

We appreciate the Financial Accounting Standards Board's ("FASB") Emerging Issues Task Force's ("EITF") efforts to address the complexity associated with the application of pushdown accounting. We agree with the EITF's observations in the basis for conclusion that there are practice issues and diversity in practice associated with pushdown accounting and that standard-setting is needed in this area.

We are supportive of many aspects of the proposed ASU, including both the change of control threshold and the option of applying the proposed pushdown accounting guidance. Our response to Question #4 outlines a practical challenge that may exist by using a change-in-control threshold, but overall we believe this threshold is well understood in practice and will reduce complexity relative to the existing guidance. We also agree with the EITF's decision to make the application of pushdown accounting optional, particularly for private companies. Transactions that result in a change of control are frequently accompanied by new financial statement users who have made debt and/or equity investments in the acquiree, and prefer financial statements prepared using acquisition method accounting. The option to apply push down accounting allows for the appropriate application of judgment by a reporting entity based on the needs of its financial statement users and the facts and circumstances of a transaction.

However, we believe the following issues merit further consideration:

Basis for conclusion: The guidance in the proposed ASU would undue over 30 years of SEC Staff guidance and precedent on pushdown accounting. The topic was also deliberated by the profession in a 1979 AICPA issues paper and a FASB discussion memorandum from 1991. The basis for conclusion in the proposed ASU lacks a meaningful consideration of these historical views, including the SEC Staff's basis for requiring the use of pushdown accounting in certain circumstances or how changes to accounting standards or the business environment justify a change in view on the acceptability of pushdown accounting.

In addition, as paragraph BC 6 notes, pushdown accounting is one of a broader set of new basis accounting issues; however, the basis for conclusion does not address how the guidance in the proposed ASU conceptually fits with the existing guidance for other new basis issues. We are concerned that a piecemeal approach to new basis issues may lead to unintended complexity and inconsistency among new basis accounting guidance. We are supportive of the FASB adding a project to their agenda to address new basis accounting issues, as suggested by certain FASB Board members in their alternative view. It is also unclear if the SEC Staff will rescind or amend their guidance on pushdown accounting if the proposed ASU is finalized.

Acquiree assessment of whether acquirer has obtained control: The requirement in the proposed ASU to assess whether, at each reporting date, an acquirer has obtained control of an entity is a substantial burden for many reporting entities, particularly for certain private companies. Private companies are not always aware of all changes in the ownership structure, particularly when ownership interests are held indirectly, or other contractual and non-contractual arrangements which provide control of the reporting entity. In addition, reporting entities that are also variable interest entities may not be privy to the conclusion as to whom is the primary beneficiary. Our view is the cost associated with undertaking a definitive assessment of whether a change in control has occurred every reporting period would be greater than the benefits of the proposed ASU as a whole for certain types of reporting entities, including many private companies. We recommend that the EITF explore whether there are alternatives to this definitive assessment for these reporting entities, and reconsider this requirement to more closely align the costs and benefits of the proposed ASU.

Our responses and related comments to the specific questions included within the Exposure Draft are contained in Attachment 1 to this letter. We believe the areas identified for further consideration would improve the guidance in the proposed ASU and are supportive of the EITF completing this project in the near future.

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Moss Adams appreciates the opportunity to comment on the proposed ASU. We would be pleased to discuss our comments with the EITF, FASB members or the FASB staff at your convenience. If you would like to discuss our comments or have any questions, please contact John Donohue in our Professional Practice Group at 206-302-6800.

Yours truly,

Moss Adams LLP

Enclosure

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Business Combinations (Topic 805)
Issue: EITF 12-F

ATTACHMENT 1

The following are responses to the questions in the proposed ASU:

Question 1: Do you agree that the guidance in this proposed Update should apply to an acquired entity, both public and nonpublic, that is a business or nonprofit activity? If not, please explain why.

We agree that the guidance should apply to both public and nonpublic acquired entities. The EITF may want to consider expanding the scope of entities to include those variable interest entities that are not businesses (and therefore do not meet the definition of an acquiree under ASC Topic 805) but are consolidated under ASC Topic 810.

Question 2: Do you agree that the threshold for the option to apply pushdown accounting should be when an acquirer has obtained control of the entity? If not, what would be a more appropriate threshold for the option to apply pushdown accounting and why would that threshold be more appropriate?

We generally agree with the change in control threshold used, though we believe some unintended complexities may exist, as further discussed in our response to question #4.

Question 3: Do you agree that pushdown accounting should be optional for an entity when control over the entity has been obtained by an acquirer? Alternatively, should pushdown accounting be mandatory for certain entities or certain transactions? If so, what types of entities or transactions should require a mandatory application of pushdown accounting?

Without a more comprehensive FASB project to fully consider new basis accounting, we agree that pushdown accounting should be optional.

Question 4: Do you agree that an acquired entity that elects the option to apply pushdown accounting should reflect in its separate financial statements the new basis of accounting established by the acquirer for the individual assets and liabilities of the acquired entity by applying Topic 805. If the acquirer did not establish a new basis of accounting for the individual assets and liabilities of the acquired entity, should it reflect in its separate financial statements the new basis of accounting that would have been established by the acquirer had the acquirer applied Topic 805? If not, please explain why.

We agree that the new basis reflected in the separate financial statements of the acquiree should be the basis established by the acquirer in applying Topic 805 or that would have been established by the acquirer had they applied Topic 805. However, this may present some practical challenges, particularly when a nominally controlled acquiree with separate management is effectively required to agree to the judgments and conclusions reached by the acquirer. Our observation is there are a variety of differences in the relationship and independence of a consolidated subsidiary that is 50.1% controlled versus one that is 80.0% (or greater) controlled. The optionality of the guidance may mitigate some of these concerns.

The EITF should also consider whether common control transactions should be specifically excluded from applying pushdown accounting. As currently drafted, we are concerned that the proposed ASU may permit structuring of transactions allowing a commonly controlled entity to establish a new basis of accounting in its separate financial statements when the acquirer is specifically precluded from applying ASC Topic 805 due to the common control transaction rules.

We also observe that the language in proposed paragraph 805-50-25-5 refers to "the entity or individual that obtains control of an acquiree." However, the master glossary definition of an acquirer only refers to an entity, as does the scoping in ASC paragraph 805-10-15-2. We believe it is appropriate to allow pushdown accounting when an individual acquires control of an acquiree and suggest the EITF clarify its intent in the final standard or the basis for conclusion.

Question 5: Do you agree that an entity that elects the option to apply pushdown accounting 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? If not, please explain why.

We agree with the subsequent measurement guidance in the proposed ASU.

Question 6: Do you agree that an entity that elects the option to apply pushdown accounting should not recognize bargain purchase gains, if any, in its separate income statement? If not, please explain why.

We agree with this provision of the proposed ASU.

Question 7: Do you agree that any acquisition-related debt incurred by the acquirer should be recognized in the acquired entity's separate financial statements only if the acquired entity is required to recognize a liability for the debt in accordance with other applicable U.S. GAAP? If not, please explain why.

While we agree that acquisition-related debt should be subject to the recognition guidance in accordance with other applicable U.S. GAAP, the EITF should consider adding disclosure requirements in the separate financial statements of an entity when there is acquisition-related debt "acquisition debt" that the cash flows of (or from) the acquiree are intended to be used in servicing the debt.

Question 8: Intentionally omitted.

Question 9: Do you agree that an entity that elects the option to apply pushdown accounting should provide the disclosures in Topic 805 to meet the disclosure objective in this proposed Update? Are there any disclosures, other than those required in Topic 805, that should be required by this proposed Update?

We agree that the disclosures in Topic 805 provide relevant information when pushdown accounting is applied. The EITF should also consider requiring general disclosure of the new basis event in the opening notes of the financial statements in subsequent periods, as the new basis event provides context to a user in understanding the financial statements. Please also see our response to Question #7 with respect to acquisition-debt related disclosures.

Question 10: **Do you agree that an entity that does not elect the option to apply pushdown accounting should disclose in the current reporting period 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 its historical basis that existed before the acquirer obtained control of the entity? Are there any other disclosures that an acquired entity that does not elect the option to apply pushdown accounting should be required to disclose?**

We do not disagree with the disclosure requirement itself; please see our further response in the cover letter, as the requirement to assess whether a change in control has occurred would be a significant burden to a non-public business entity.

Question 11: Do you agree that for purposes of disclosure requirements, an entity should assess at each reporting period whether its control has been obtained by an acquirer and whether it would elect the option to apply pushdown accounting? How much incremental cost and effort does such continuous assessment require?

Please see our response to Question #10 and in the cover letter.

Question 12: Do you agree that this proposed Update should be effective prospectively to transactions in which an acquirer has obtained control of the acquired entity? Do you also agree that an acquired entity should be allowed to elect the option to apply pushdown accounting each time it has undergone a change-in-control event whereby an acquirer has obtained control of the acquired entity? If not, please explain why.

We agree with both of these elements in the proposed ASU.

Question 13: Do you agree that the decision about whether to elect the option to apply pushdown accounting should be made in the reporting period in which the change-in-control event occurs and should be irrevocable? If not, please explain why.

We generally agree with the proposed ASUs requirement than an irrevocable election should be made to apply pushdown accounting. We observe that certain recent accounting standards have permitted accounting policy elections to be made through the date the financial statements are issued (or available to be issued), rather than strictly within the reporting period in which the event occurs. We recommend the EITF consider a similar approach for the proposed ASU's option to apply pushdown accounting.

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However, the EITF may want to consider if there are certain circumstances in which the option to elect pushdown accounting can be revoked or made in a subsequent period. For example, the recent efforts of the Private Company Council have resulted in a number of accounting alternatives that must be reversed when a reporting entity becomes a public business entity, and the EITF may want to consider whether the election to apply pushdown accounting (and other accounting alternatives) can be reconsidered in such circumstances. As part of its private company initiative, we recommend the FASB further research and respond to the issues associated with a reporting entity transitioning to a public business entity.

Question 14: Do you agree with the proposed consequential amendments to remove guidance in Subtopic 805-50 on application of pushdown accounting when an acquisition meets certain conditions (previously EITF Issue No. 86-9, ―IRC Section 338 and Push-Down Accounting‖)? If not, please explain why.

We agree with the proposed consequential amendments, however, it is unclear from the proposed ASU if the SEC Staff would amend the guidance in ASC Section 805-50-S99.