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December 2, 2014

Technical Director  
Financial Accounting Standards Board  
401 Merrit 7  
PO Box 5116  
Norwalk, CT 06856-5116

**RE: Proposed Accounting Standards Update , “Technical Corrections and Improvements”  
(File Reference No. 2014-240)**

Dear Technical Director:

We appreciate the opportunity to comment on the proposed Accounting Standards Update, *Technical Corrections and Improvements* (the Proposed ASU). We support the efforts of the Board to continually improve the *FASB Accounting Standards Codification*® by implementing a standing project for Technical Corrections and Improvements. While we generally agree with the proposed amendments to each Topic in the Codification, we believe the Board should further clarify certain amendments.

**Issue 1**

We agree with the proposed amendment to the Codification to clarify the timing of recognizing a discontinued operation in paragraph 205-20-45-1D. However, we believe the wording of the proposed clarification makes the treatment unclear if more than just the criteria in 205-20-45-1E(d) is met but not all of the criteria in 205-20-45-1E are met. We recommend modifying the proposed clarification as follows:

**205-20-45-1D** A business or nonprofit activity that, on acquisition, meets the criteria in paragraph 205-20-45-1E to be classified as held for sale is a discontinued operation. A business or nonprofit activity shall be classified as held for sale as a discontinued operation at the acquisition date if (1) the one-year requirement in paragraph 205-20-45-1E(d) is met (except as permitted by paragraph 205-20-45-1G), and (2) any other criteria in paragraph 205-20-45-1E that are not met at that date are probable of being met within a short period following the acquisition (usually within three months).

**Issue 3**

While banks carry trading account securities at fair value, as the heading for the paragraph indicates other types of companies also carry these securities at fair value. We recommend changing the sentence as follows, “~~The predominant practice by banks is to carry these securities~~ These securities are carried at fair value.”



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### **Issue 6**

The last sentence of paragraph 310-10-35-32 introduces a discussion of discounted future cash flows, which is not directly related to impairment analyses that are based on the fair value of the underlying collateral. For purposes of avoiding confusion, we recommend that the final sentence be deleted and that the proposed sentence not be added.

### **Issue 8**

While the proposed modification to exclude private label credit cards from the scope of paragraphs 310-20-35-6 and 310-20-50-4 is consistent with the scope set forth in EITF Issue 92-5, it does not provide guidance to the Codification user to indicate what guidance should apply to private label credit card origination costs. We recommend cross referencing to the guidance that should be applied for private label credit card costs.

### **Issue 12**

The proposed modification to paragraph 320-10-40-3 refers to paragraph 860-20-35-1. However, paragraph 860-20-35-1 only provides discussion of the organization of Section 860-20-35. It is unclear why paragraph 860-20-35-1 is being referenced. We recommend changing the reference to paragraph 860-20-40-1A (if the subsequent sale of one of the structured notes should be treated as the sale of a participating interest), paragraph 860-20-40-1B (if the subsequent sale of one of the structured notes should be treated as the sale of an entire financial asset) or paragraph 860-30-25-2 (if the subsequent sale of one of the notes does not qualify as a sale of an entire financial asset), as appropriate.

### **Issue 27**

Given the release of FASB ASU No. 2014-17, *Pushdown Accounting*, the paragraphs that include the clarifications in the Proposed ASU have been superseded, and thus these clarifications are no longer necessary.

### **Issue 28**

We agree with the proposed amendment to the Codification to delete the sentence that incorrectly refers to the quantitative approach from FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, rather than the approach from FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R). However, we recommend editing the third to last and next to last sentences of paragraph 72 of the Proposed ASU to say:



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. . . Paragraph 810-30-15-3(b), originally included in EITF Issue No. 99-16, “Accounting for Transactions with Elements of Research and Development Arrangements,” provides a scope exception to the guidance in Subtopic 810-30 for special purpose entities required to be consolidated under the VIE guidance. The last sentence of this scope exception incorrectly refers to the quantitative approach from Interpretation 46(R) rather than the approach from Statement 167. . .

### Issue 33

The proposed addition of paragraph 820-10-25-3 does not refer to contributions. Because the source of this guidance relates specifically to contributions and the deletions of the related guidance in other paragraphs referred specifically to contributions (“such as contributions in accordance with Topic 958 and subtopic 720-25”), paragraph 820-10-25-3 should include a reference to contributions as an example of when the guidance may apply.

### Issue 45

We understand that this amendment is intended to clarify that in the exchange transactions described the property and equipment also could be part of the compensation for the exchange transaction rather than only a contribution. However, there are additional questions raised by this guidance, and the proposed amendment that may go beyond the scope of a technical correction. For example:

- The use of the term “exchange transactions” in this guidance (as well as in paragraph 958-360-50-4(d)) is unclear if the guidance applies to all grants and contracts whether determined to be a contribution or an exchange transaction (or a combination of the two).
- The placement of this paragraph in the Contributions section of the Codification makes the applicability of this guidance unclear if such a transaction is determined to be (or include an element of) an exchange transaction and such “revenue” is governed by FASB ASC 606, *Revenue from Contracts with Customers*.
- If the “revenue” reported is not contribution revenue but revenue under ASC 606, clarification is needed as to whether the guidance here conforms to the revenue recognition model in ASC 606 and if not, whether the guidance here takes precedence over ASC 606 for such transactions.

We recommend removing this issue from the Technical Correction project and consider it separately or under another related project.

### Other Technical Corrections

Although not included in the Proposed ASU we also recommend certain improvements be made as technical corrections.



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#### Effective Dates of Certain Standards

In several recent ASUs, effective dates for private companies have been described as follows:

For all other entities, for annual periods ending after December 15, [201X], and interim periods beginning after December 15, [201X].

As described, if a private company has a June 30 year end and issues interim financial information, it appears that the entity would be required to apply the new standard for the first time in March 31 (i.e., third quarter) interim financial statements. We believe the intent was the standard would be applied in annual periods ending after December 15, [201X] and interim periods *within annual periods* beginning after [201X]. We believe the omission of the words “within annual periods” in the descriptions of the effective date for private companies results in an unintended change to the effective date for interim periods for private companies and should be corrected. For example, the following ASUs may be impacted by the omission of the words “within annual periods”:

- FASB ASU No. 2014-10, *Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*
- FASB ASU No. 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*
- FASB ASU No. 2014-13, *Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity*
- FASB ASU No. 2014-14, *Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*

#### Variable Interest Entities

- Modify paragraphs 810-10-15-3(c), 810-10-15-10(d), and 954-810-15-2(c) to indicate that the Consolidation of Entities Controlled by Contract Subsections apply only to reporting entities that are exempt from applying the VIE Subsections.
- Modify paragraphs 810-10-15-10(e) and 710-1-45-1 to eliminate suggestions that rabbi trusts may not be VIEs.

#### Equity Method Investments and Joint Ventures

Modify paragraphs 323-10-25-2 and 35-2 so that the equity method of accounting is not precluded simply because other investors hold substantive participating rights in the investee.



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If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419.

Sincerely,

*KPMG LLP*

KPMG LLP