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Morgan Stanley

December 10, 2014

Susan M. Cosper
Technical Director
File Reference No. 2014-250
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2014-250; Proposed Accounting Standards Update – Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost

Dear Ms. Cosper:

Morgan Stanley appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost* (the "ASU").

We are supportive of the efforts of the FASB ("the Board") in its initiative to reduce complexity in the accounting standards and commend the Board for proposing the ASU as part of its initiative.

Question 1: Should debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts? If not, why?

Answer: We agree that debt issuance costs should be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. In addition to the reasons noted in the ASU, the presentation of debt issuance costs together with debt premiums and discounts would simplify the subsequent recognition and measurement. Currently, both debt issuance costs and debt discounts and premiums are amortized using the interest method. The amortization must be separately recorded for the debt issuance costs presented as a deferred charge and the debt discount or premium presented together with the debt liability. Under the guidance in the ASU, this allocation of the amortization between the debt issuance costs and discount or premium will be simplified as the amortization for both will be recognized against the debt liability carrying amount.

Question 2: Should the proposed guidance be applied on a retrospective basis?

Answer: Given that the proposal changes the balance sheet presentation only, and does not have an impact on the measurement of debt issuance costs (i.e., there is no income statement impact), we believe the proposed retrospective application is reasonable. Furthermore, given the limited nature of change, we propose that entities should have the option of early adopting the guidance upon issuance of a final standard. As mentioned in our response to Question 1 above, the amortization calculations will be simplified as a result of the proposal in the ASU and we believe therefore that it would be beneficial for preparers to have the ability to early adopt and simplify their processes for accounting for debt issuance costs.

Question 3: How much time will be necessary to adopt the amendments in this proposed Update? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Answer: We do not believe the proposal in the ASU would be difficult to implement. If the Board decides to provide a substantial amount of time for mandatory adoption, we would suggest the Board to provide an early adoption option. The nature of the change is limited and an early adoption provision would allow for the simplification benefits of the ASU to be recognized sooner by entities who are prepared to do so.

Again, we thank you for the opportunity to provide comments. Please contact me at 212-276-7824 or Sarah Clark at 212-276-3010 if you have any questions.

Sincerely,

G. David Bonnar

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Managing Director
Global Advisory and Policy