Hydro Québec

December 10, 2014

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

Via Email to director@fasb.org

Subject: File Reference No. 2014-250

Dear Ms. Cosper,

We appreciate the opportunity to comment on the proposed Accounting Standards Update, *Simplifying the Presentation Debt Issuance Cost.* We applaud the efforts made by the FASB to reduce complexity in accounting standards (the Simplification Initiative). We are also pleased to see that the proposed update is harmonized with the guidance in IFRS. You will find below our comments on the three questions.

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?*

Yes, we agree with all the arguments advanced by the FASB, such as:

- "Having different balance sheet presentation requirements for debt issuance cost and debt discount or premium creates unnecessary complexity;"
- "Recognizing debt issuance cost as a deferred charge (that is, an asset) also is different from the guidance in International Financial Reporting Standards (IFRS), which requires that transaction costs, including third-party costs and creditor fees, be deducted from the carrying value of the financial liability and not recorded as separate assets;"
- "The requirement to recognize debt issuance costs as deferred charges conflicts with the guidance in FASB Concepts Statement No. 6, *Elements of Financial Statements*, which states that debt issuance costs are similar to debt discounts and in effect reduce the proceeds of borrowing, thereby increasing the effective interest rate;" and
- "Concepts Statement 6 further states that debt issuance costs cannot be an asset because they provide no future economic benefit."

In addition, we consider that the debt issuance cost amounts are not significant in terms of the total debt. We do not see the need to present them separately instead of as a reduction in the debt liability.

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

Yes, we agree that the proposed guidance should be applied on a retrospective basis. We consider that an application on a retrospective basis would not be complicated and would be very useful for comparability between financial periods.

Moreover, we would be in favor of an early adoption for companies wishing to adopt the final ASU before its effective date.

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?*

In this matter, the most complex aspect to implement was the effective interest rate method, which is already required to amortize debt issuance costs even if they are actually presented separately. In view of this, the reclassification of debt issuance cost as a direct deduction from the face amount of the debt liability should not be very complex and should not take long to apply.

For the same reasons as mentioned above, we do not think that there should be a different time frame for public business entities and other than public business entities.

Sincerely,

Lise Croteau, FCA
Vice President – Accounting and Control
Hydro-Québec