McGladrey LLP

One South Wacker Drive, Suite 500
Chicago, IL 60606
www.mcgladrey.com

McGladrey

December 15, 2014

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

File Reference No. 2014-250

Dear Ms. Cosper:

McGladrey LLP is pleased to comment on the Proposed Accounting Standards Update, *Interest—Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Cost* (the "proposed Update"). We are supportive of the Board's overall efforts to reduce complexity in accounting standards and improve convergence with International Financial Reporting Standards by addressing the presentation of debt issuance costs. Our responses to the "Questions for Respondents" on which specific comment is sought are included below for your consideration.

Comments on Certain Questions for Respondents

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?*

We support the Board's proposal to present debt issuance costs as a direct deduction from the carrying amount of the related debt liability. However, we believe the Board should consider the following in its redeliberations of the proposal:

- *Providing guidance related to the presentation of debt issuance costs when there is no corresponding debt liability.* When there is no corresponding debt liability related to the debt issuance costs, paragraph BC3 of the proposed Update indicates that the debt issuance costs should be presented as a deferred charge until the debt liability is recorded. Applying this guidance to a situation in which debt issuance costs are incurred before the entity receives the proceeds from the debt (which is the specific example provided in paragraph BC3) is relatively straightforward. However, applying this guidance to debt issuance costs incurred in connection with a line-of-credit is less straightforward. For example, consider a relatively common situation in which a line-of-credit sometimes carries a zero balance and sometimes carries an outstanding balance. In this situation, does the carrying amount of the debt issuance costs get reclassified between a liability and an asset at the end of a financial reporting period if the line-of-credit goes from carrying an outstanding balance (i.e., contra-liability presentation) to carrying a zero balance (i.e., asset presentation)? We believe guidance related to the presentation of debt issuance costs when there is no corresponding debt liability should be provided in the Codification itself (and not just in the basis for conclusions). We also believe that the guidance provided should address the presentation of debt issuance costs when the related debt (e.g., a line-of-credit) could fluctuate between carrying a zero balance and carrying an outstanding balance from one financial reporting period to the next.

- *Combining the debt issuance costs and debt discount and presenting and disclosing them as one amount.* We believe combining the debt issuance costs and debt discount and presenting and disclosing them as one amount may further simplify, and bring additional consistency to, the presentation of debt issuance costs and debt discounts (particularly, the lenders' fees reflected in the debt discount). However, paragraph BC6 of the proposed Update acknowledges that debt issuance costs and debt discounts would have to be tracked separately after initial recognition given the guidance in other Codification topics. At a minimum, we believe the need to separately track the debt issuance costs and debt discounts to comply with other Codification topics should be elaborated upon in the Codification itself (e.g., identification of the other Codification topics that require the separate tracking of such amounts). Alternatively, the Board could give consideration during its redeliberations to changing the guidance in those other Codification topics such that debt issuance costs and debt discounts would not have to be tracked separately after initial recognition.

In addition, we believe the Board should consider, either during its redeliberations on the proposed Update or as a separate simplification initiative, the accounting for third-party costs and lenders' fees incurred in connection with a debt modification or exchange. We believe the current accounting model for such costs (which provides for different accounting treatment depending on the nature of the cost and whether the modification or extinguishment accounting model must be applied) is unnecessarily complex and could benefit from simplification focused on treating both types of costs consistently within the modification and extinguishment accounting models.

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

We agree with the Board's proposal to require retrospective application of the change in presentation of debt issuance costs. We believe this is the appropriate transition given the consistency it will provide in the financial statements and given its ease of execution.

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?*

We believe minimal time will be required to retrospectively apply the change in presentation of debt issuance costs given that the information should already exist and be readily available to preparers of financial statements. For these same reasons, we also believe that entities other than public business entities do not need any additional time to retrospectively apply the change in presentation of debt issuance costs.

We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017.

Sincerely,

McGladrey LLP

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