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December 17, 2014

Susan M. Cospers, CPA
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: October 14, 2014 Exposure Draft of a Proposed Accounting Standards Update (ASU), *Interest—Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Cost* [File Reference No. 2014-250]

Dear Ms. Cospers:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC disagrees that this ED would represent a simplification for private entities and is requesting that private entities be exempt from reclassifying debt issuance costs to contra-liabilities. TIC's specific concerns are discussed below.

SPECIFIC COMMENTS

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?*

TIC is reluctant to support the proposed change in the balance sheet presentation of debt issuance costs for private entities. Page 1 of the ED indicates that:

The Board received feedback that having different balance sheet presentation requirements for debt issuance cost and debt discount or premium creates unnecessary complexity.

Among private entities, TIC has not noted any issues in practice and is not aware that users of private company financial statements are having these difficulties. The current practice of presenting debt issuance costs as deferred assets is well established and readily understood in basic lending relationships involving private entities. Effectively, the ED is offering a solution for a problem that does not exist among private entities.

Although debt issuance costs may not meet the definition of an asset under FASB Concepts Statement No. 6, *Elements of Financial Statements*, TIC believes the presentation of debt issuance costs as a contra-liability will be neither more useful nor more relevant for lenders and other financial statement users within the private entity arena. TIC also questions whether the proposed change would represent a true “simplification.”

TIC believes the source of the borrowing can be a determining factor in whether the proposal is viewed as a relevant simplification for users of public v. nonpublic financial statements. For example, the face amount of nonpublic borrowings, such as those from a bank, is usually the most relevant amount because lenders, users, and owners look to the contractual amount of the outstanding debt on the face of the balance sheet to determine the amount of the liability. Most nonpublic borrowings, such as bank debt, usually do not involve discounts and premiums; therefore, the proposed presentation would be a more significant change for private entities.

The user perspective concerning public debt offerings (which presumably would be excluded from the definition of a private entity as proposed in this letter) may be different. The proposal could potentially result in a simplification of the balance sheet presentation of debt offerings for public company users because discounts and premiums, in addition to debt issuance costs, tend to occur more frequently and would be presented in one location on the balance sheet.

TIC therefore recommends that private entities be provided an exemption from the proposed presentation. In addition, TIC suggests that the PCC discuss the ED in one of its public meetings to provide an opportunity for the members to express their views on the proposed reclassification of debt issuance costs.

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

If the ED is finalized as written, TIC agrees that the standard should be applied on a retrospective basis.

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?

TIC believes a transition period of at least one year is necessary to ensure that private entities are fully aware of the accounting change. TIC is not expecting any major

implementation issues, but preparers and practitioners will need this transition period to learn about the change through the continuing education process.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Scot Phillips". The signature is written in a cursive, slightly slanted style.

Scot Phillips, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees