March 31, 2015

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

RE: File Reference No. 2015-210—II

Dear Ms. Cosper:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Board's recent proposal, *Income Taxes (Topic 740): (II) Balance Sheet Classification of Deferred Taxes*. We commend the FASB for its ongoing efforts to identify areas in which financial reporting can be simplified while maintaining or enhancing decision-useful information for investors.

We are supportive of the proposal contained in the proposed Accounting Standards Update to classify all deferred taxes as noncurrent on the balance sheet. We believe that approach is preferable to the existing requirements, which in many cases results in classification that bears no relation to the period over which a temporary difference will reverse or impact tax cash flows.

In addition to simplifying the accounting, we welcome the fact that the result more closely aligns with the IFRS standard on income taxes, IAS 12. We believe this convergence will improve comparability and provide more understandable information to investors. The fundamental principles underlying income tax accounting under IFRS and U.S. GAAP are mostly aligned. The proposal will serve to reduce the few existing differences.

PwC supports the Board's continuing simplification initiative. We believe the Board should continue to focus on those areas that (a) have broad impact, (b) remove exceptions and mechanical rules that lead to complexity while maintaining decision-useful information for investors, and (c) result in harmonization with international standards, if possible.

Our detailed responses to the questions in the Exposure Draft are contained in appendix to this letter. We have submitted a separate letter in response to the Board's proposal related to intra-entity asset transfers.

If you have any questions regarding our comments, please contact Patrick Durbin at (973) 236-5152 or Brett E. Cohen at (973) 236-7201.

Very truly yours,

PricewaterhouseCoopers LLP

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Appendix

Question 1 *– Should all deferred income tax liabilities and assets be presented as noncurrent in a classified statement of financial position? If not, why, and what alternatives should the Board consider, and what is the conceptual basis for the alternatives?*

We agree with the Board's proposal to classify all deferred tax assets and liabilities as noncurrent. In our opinion, it will end the confusion that often exists under current GAAP when different classification models are applied to different deferred tax positions. At present, certain deferred tax positions are classified based on the asset or liability to which they relate, while others are classified based on the expected timing of their reversal. As a result, separate reporting of current and noncurrent deferred tax assets and liabilities creates complexity, and because it is not based on a consistent principle, provides little insight for users.

The proposal will also eliminate the non-intuitive manner in which a valuation allowance is prorated between current and noncurrent deferred tax assets under existing requirements.

While classification based upon the timing of the expected reversal of the position may seem preferable to some, in practice this can be difficult to estimate with any certainty. We believe that classification of all deferred tax balances as noncurrent achieves simplification without reducing the usefulness of the reported information. In addition, we believe it may have the added benefit of improving the quality of information for users who find the existing number of balance sheet accounts related to income taxes difficult to understand.

Question 2 *– Should the proposed guidance be applied on a prospective basis?*

As the impact of the proposal would result only in a balance sheet reclassification, we expect comparability to be enhanced by reflecting the reclassification in all periods presented. This would also obviate the need for additional disclosure explaining why the balance sheets are not comparable. In our opinion, the benefits of comparability outweigh what we expect to be minor additional effort on the part of preparers. If not required, we suggest that retrospective adoption be permitted.

Question 3 *– Should the amendments in this proposed Update be effective for:*

a. Public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016
b. All other entities for annual periods beginning after December 15, 2017, and interim periods in annual periods beginning after December 15, 2018, with early adoption permitted, but not before the effective date for public business entities?

We agree with the effective date proposed in the amendment, however, we do not believe that any restriction should be placed on early adoption. The objective of the amendment is to simplify financial reporting and improve the quality of the information provided to users. In our opinion, entities should be permitted to access these benefits for themselves and the users of their financial statements as soon as they are in a position to adopt the proposed Update. Entities that early adopt this amendment should be required to disclose that fact.

Consistent with our view set out in our response to the intra-entity asset transfers proposed amendment, *Income Taxes (Topic 740): (I) Intra-Entity Asset Transfers*, we do not believe that there is any technical or conceptual reason to link the adoption dates of these two amendments. We believe that the decision to early adopt each amendment should be made independently.

***Question 4** – What would be the expected transition costs of adopting the guidance in the proposed Update? What would be the expected recurring costs of applying the proposed guidance compared with the costs of applying current GAAP?*

Our impression is that the transition costs will be modest for entities adopting prospectively. Entities that apply the amendment retrospectively (if permitted) will likely incur slightly more transition costs as the prior period's balance sheet would need to restated, but again we would not expect these costs to be significant.

After transition, we believe that complying with the new guidance will be significantly easier than current GAAP and consequently we would expect reduced costs.