

June 24, 2015

Technical Director
File Reference No. 2015-280
Financial Accounting Standards Board
401 Merritt 7
PO Box 5166
Norwalk, CT 06856-5166

Dear Technical Director:

I appreciate the opportunity to provide comments on the Proposed Accounting Standards Update (the "Proposed ASU") relating to Topic 323 of the FASB Accounting Standards Codification.

I agree with all of the Board's tentative decisions and reasoning as currently drafted in the Proposed ASU Exposure Draft. However, I think it is also important for the Board to consider the implications of the Proposed ASU as it relates to ASC 323-10-40-1 which governs a *decrease* in level of ownership or degree of influence.

ASC 323-10-40-1 states, "An equity method investor shall account for a share issuance by an investee as if the investor had sold a proportionate share if its investment. Any gain or loss to the investor resulting from an investee's share issuance shall be recognized in earnings." In these situations, the investor generally records a gain or loss associated with the dilution of the investment. As a result of such a transaction, it is common practice that the investor proportionality reduce its equity method basis differences for the effect of the dilution.

As the Proposed ASU provides for the cessation of basis difference accounting altogether, I believe some guidance should be issued or added to govern situations in which ASC 323-10-40-1 becomes applicable. I believe that as the Proposed ASU provides for the cessation of basis difference accounting altogether, if ASC 323-10-40-1 becomes applicable, no adjustments should be contemplated or made as it relates to existing basis differences that have been frozen upon the date of the Proposed ASU adoption and absorbed into the carrying value of the investment.

Furthermore, if the Proposed ASU is part of the Simplification Initiative as defined in the Exposure Draft, perhaps the concept of recording dilution gains or losses prescribed by ASC 323-10-40-1 should be eliminated as an added component of the Proposed ASU. The concept and calculation of dilution gains and losses brought about by ASC 323-10-40-1 also adds cost and complexity to financial statement reporting without improving the usefulness of the information provided to investors and financial statement users. This cost and complexity is made all the more apparent when the dilution events are frequent and can be dilutive or accretive from one period to the next.

Additionally, in our own experience, to the average financial statement user, the concept of dilution gains and losses are as esoteric and difficult to explain as basis differences accounting which the Proposed ASU is eliminating. I believe the Proposed ASU should eliminate the need to calculate non-

dispositive or impairment related dilution gains and losses until the ultimate disposition or impairment of the equity method investment occurs from an investor perspective. This sort of methodology would yield a more easily understandable gain or loss figure while reducing financial complexity and cost.

If you have any questions about my comments or wish to discuss any of the matters addressed herein, I can be reached at the contact information below. Thanks again!

Sincerely,

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