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McGladrey

June 26, 2015

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

File Reference No. 2015-260

Dear Ms. Cosper:

McGladrey LLP is pleased to comment on the Proposed Accounting Standards Update (ASU), *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* (the "proposed ASU"). We continue to be supportive of the Board's overall efforts to reduce complexity in accounting standards and, in this case, to simplify the accounting for measurement-period adjustments. Our responses to the "Questions for Respondents" on which specific comment was requested, along with comments and suggestions on other matters in the proposed ASU, are included below for your consideration.

Responses to Questions for Respondents

Question 1: *Should adjustments to provisional amounts and the corresponding adjustment to goodwill that are identified during the measurement period be recognized in the reporting period in which the adjustment amount is determined? Why or why not?*

While we believe from a strictly conceptual standpoint that the existing guidance on the accounting for measurement period adjustments on a retrospective basis is most appropriate, for the cost-benefit reasons articulated in the proposed ASU we agree that measurement period adjustments should be recognized in the reporting period in which the adjustment is determined.

Question 2: *If adjustments to provisional amounts as of the acquisition date would have affected earnings in periods subsequent to the initial accounting for the business combination, should the effect on earnings, in periods prior to the adjustment period, of changes in depreciation, amortization or other income effects be recognized in the income statement in the reporting period in which the adjustment to the provisional amount is determined? Why or why not?*

Consistent with the reasoning noted in our response to Question 1, we agree that as long as there are adequate disclosures of the impact to prior period earnings (as discussed further in the "Other Comments and Suggestions" section below), measurement period adjustments that impact earnings in periods prior to the adjustment period should be recognized in the reporting period in which the adjustment is determined.

Question 3: *Should the proposed guidance be applied prospectively to adjustments made to provisional amounts that are identified after the effective date and that are within the measurement period? Why or why not?*

While we agree that the proposed guidance should be applied prospectively, we believe that prospective application should be based on measurement period adjustments in business combinations completed after the effective date, rather than measurement period adjustments identified after the effective date. This approach would ensure that all measurement period adjustments in a particular business combination are accounted for either based on the guidance in the proposed ASU or the existing guidance. We believe this would be easier for both financial statement preparers to implement and financial statement users to understand. Under the approach included in the proposed ASU, there could be situations in which some measurement period adjustments in a particular business combination would have to be accounted for on a retrospective basis (under the existing guidance) while other subsequent adjustments would have to be made in the reporting period in which the measurement period adjustment is determined (under the proposed guidance). For example, assume a business combination for a public business entity with a calendar year-end was completed on September 15, 20X5 and there were measurement period adjustments identified on both December 15, 20X5 and March 15, 20X6. If the proposed guidance were effective prospectively for all measurement period adjustments identified in periods ending after December 31, 20X5, then the December 15, 20X5 measurement period adjustment in this business combination would be accounted for on a retrospective basis under the existing guidance (with the adjustment made to the 3rd quarter results), while the March 15, 20X6 measurement period adjustment would be accounted for in that reporting period. We believe this could potentially cause confusion.

Question 4: *How much time will be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? 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 don't believe a significant amount of time will be necessary to adopt the amendments in the proposed Update, given that less effort will be required as compared to the existing guidance. We also don't believe additional time will be needed to apply the proposed amendments by entities other than public business entities as compared to the amount of time needed by public business entities. In regard to allowing for early adoption, we believe that early adoption should be permitted, provided that it doesn't result in some measurement period adjustments for a particular business combination being accounted for on a retrospective basis under the existing guidance with other subsequent adjustments being made in the reporting period in which the measurement period adjustment is determined as discussed in our response to Question 3.

Other Comments and Suggestions

- *Disclosure - The Financial Effects of Adjustments That Relate to Business Combinations That Occurred in the Current or Previous Reporting Periods (proposed ASC 805-10-50-6)*

  As the proposed ASU would no longer require accounting for measurement period adjustments on a retrospective basis, we believe further disclosure beyond the narrative in proposed ASC 805-10-50-6 and ASC 805-10-55-29 would be beneficial to financial statement users to clearly show the impact these adjustments would have had on prior and current periods. We believe the guidance should require a pro forma condensed income statement illustrating what the impact to earnings in each affected period would have been if the accounting for the business combination was completed in the same period as the business combination. We believe this disclosure would be particularly helpful in those situations in which the business combination and related measurement period adjustments occur in multiple reporting periods (such as when a business combination for a public business entity occurs in the 4^{th} quarter and there are measurement period adjustments in both the 1^{st} and 2^{nd} quarters of the following year).

- *ASC 805-10-25-17 and ASC 805-10-55-16.* We believe the following edits should be made to these paragraphs to acknowledge that in certain situations a measurement period adjustment could affect the bargain purchase gain rather than goodwill:

  805-10-25-17 During the measurement period, the acquirer shall recognize adjustments to the provisional amounts with a corresponding adjustment to goodwill or the gain on bargain purchase in the reporting period in which the adjustments to the provisional amounts are determined.

  805-10-55-16 … Paragraph 805-10-25-17 requires the acquirer to recognize such adjustments with a corresponding adjustment to goodwill or the gain on bargain purchase in the reporting period the adjustments are determined.

We appreciate this opportunity to provide feedback on the proposed ASU 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 or Brian H. Marshall at 203.312.9329.

Sincerely,

McGladrey LLP

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