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Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
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P.O. Box 5116
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2 July 2015

Re: Proposed Accounting Standards Update, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* (File Reference No. 2015-260)

Dear Ms. Cosper:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Business Combinations (Topic 805), Simplifying the Accounting for Measurement-Period Adjustments* (the Proposal), from the Financial Accounting Standards Board (FASB or Board).

We support the FASB's objective in its simplification initiative to reduce the cost and complexity of financial reporting while improving or maintaining the usefulness of the information provided to financial statement users. We believe that the proposal to eliminate the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively meets that objective.

The proposal would reduce costs and complexity because an acquirer would no longer be required to recognize adjustments to provisional amounts on a retrospective basis and to revise comparative information for any prior periods presented, including revisions for any effects on the prior-period income statement. The proposal also would continue to provide users with high-quality financial information.

Appendix A contains our responses to the questions posed in the proposal.

We would be pleased to discuss our comments with the Board or its staff at your convenience.

Very truly yours,

Ernst + Young LLP

Appendix A — Responses to questions raised in the Proposed Accounting Standards Update, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments*

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?

Yes. We believe that the Board's proposal to recognize measurement-period adjustments in the reporting period in which the amount of the adjustment is determined would simplify the accounting for business combinations while reducing unnecessary costs that would otherwise be incurred to retrospectively revise historical financial statements.

When accounting for measurement-period adjustments under current US GAAP, entities may incur costs to retrospectively revise their historical financial statements. The proposal would simplify the accounting for measurement-period adjustments because acquirers no longer would need to evaluate the significance of measurement-period adjustments to determine whether revisions to their historical financial statements are necessary. In addition, for registered offerings with the Securities and Exchange Commission (SEC), SEC registrants would no longer need to assess the materiality of retrospective measurement-period adjustments and potentially revise their historical annual audited financial statements in a new or amended registration statement.

We also believe that the proposed disclosure of the amount of the adjustment reflected in the current-period income statement line items that would have been recognized in previous periods if the adjustment to provisional amounts had been recognized as of the acquisition date would provide the necessary transparency about the effects of any material measurement-period adjustments.

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?

Yes. We believe that if adjustments to provisional amounts as of the acquisition date would have affected earnings in periods after the initial accounting for the business combination, the cumulative effect on earnings of changes to provisional amounts should be recognized within the affected line items on the income statement in the reporting period in which the adjustment to the provisional amount is determined.

Recording the cumulative effect on earnings of changes to provisional amounts within the affected line items would maintain the usefulness of the financial statements without adding costs and complexity associated with accounting for the business combination. The proposal would provide transparency about the current-period effects of any material measurement-period adjustments because it would require disclosure of the amount of the adjustment reflected in the current-period income statement line items that would have been recognized in previous periods if the adjustment to provisional amounts had been recognized as of the acquisition date.

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?

Yes. Applying the proposed guidance prospectively and disclosing the amount of the adjustment reflected in the current-period income statement line items that would have been recognized in previous periods would be practical and cost-effective. We believe that financial statement users would be provided with sufficient information to understand the financial effect of measurement-period adjustments before and after the effective date.

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?

Given that the proposal would simplify the accounting for measurement-period adjustments, we would not expect the time necessary to adopt the amendments to be significant. We believe that allowing early adoption would be appropriate. Also, for the same reason, we do not believe that nonpublic entities would need more time to adopt the amendments than public business entities.