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July 8, 2015

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**RE: Exposure Draft, “Business Combinations (Topic 805) – Simplifying the Accounting for Measurement-Period Adjustments” (File Reference No. 2015-260)**

Dear Technical Director:

We appreciate the opportunity to comment on the Board’s Exposure Draft, *Business Combinations (Topic 805) – Simplifying the Accounting for Measurement-Period Adjustments*. We support the Board’s simplification initiative and agree that areas of U.S. generally accepted accounting principles (GAAP) for which cost and complexity can be reduced without sacrificing the usefulness of the information provided to users should be evaluated and improved.

We agree that eliminating the requirement to retrospectively report adjustments to provisional amounts recognized in a business combination during the measurement period would simplify reporting for preparers of financial statements. We also agree with the Board’s conclusion that, if the requirement to retrospectively report adjustments in the measurement period is eliminated, the impact of adjustments on periods prior to the adjustment period should be included in the period that the adjustment to the provisional amount is determined. We also believe that disclosures should be required reflecting the impact of the adjustments on each historical period so that users can understand the effects of those adjustments on all affected periods. Because the elimination of retrospectively reporting measurement period adjustments may impact financial statement users’ analysis of the effects of those adjustments, the Board should obtain sufficient input from users to evaluate the impact on financial statement users.



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## **Convergence**

We continue to support efforts for further convergence of U.S. GAAP and International Financial Reporting Standards (IFRS) to work towards more comparable global accounting standards. As noted by the Board, the elimination of the requirement to retrospectively report measurement period adjustments would create a new difference between U.S. GAAP and IFRS where convergence currently exists. Although this difference would not be significant in the overall efforts to develop more comparable global accounting standards, it is unclear whether ongoing convergence efforts are a priority of the FASB. We believe that the Board should clearly communicate its priorities related to convergence of U.S. GAAP and IFRS. If convergence is a priority, the Board should develop a framework, which would be subject to due process, on how it would intend to consider the benefits of convergence in its deliberations on potential changes to U.S. GAAP. In some cases, the benefits of convergence may be sufficient to support changes to U.S. GAAP even when there may not be substantial improvements in U.S. GAAP. In other cases, convergence may not be sufficient to support a change to U.S. GAAP if that change would significantly reduce the usefulness of information reported under U.S. GAAP.

## **Reducing Complexity**

Consistent with our past comments, while we support the Board's efforts to address unnecessary complexity in accounting standards through its narrow-scope projects within the simplification initiative, we believe that there are significant instances of complexity in the Board's ongoing major projects and existing accounting standards and financial reporting that transcend the scope of narrow projects intended to simplify specific provisions within existing standards. In addition to the narrow simplification initiatives, we believe the Board should develop a broader overall plan to address systemic causes of complexity within accounting standards and financial reporting. That plan should result in developing a framework that illustrates how the Board will identify, evaluate, and prevent or mitigate potential complexity on an ongoing basis as an integral aspect of its standard-setting activities and in existing standards beyond the scope of the narrow projects within the simplification initiative. We believe an overall framework on complexity should consider and address cost and complexity based on the potential effects on the overall standard-setting process and financial reporting system, including complexity for financial statement users.

Development of a framework to address concerns about complexity should include research on the underlying causes of complexity in accounting standards and financial reporting and document a process for how the Board would intend to address those causes. Although not all inclusive, we believe broader areas of complexity may result from, for example:



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- Multiple models of accounting for similar transactions, assets, or liabilities such that similar economic events and transactions are reported differently.
- Standards that may be viewed as inconsistent with the Board's conceptual framework.
- The lack of clear principles on which a standard is based, or a lack of clarity about how to determine when exceptions to principles are appropriate.
- Inconsistent approaches to transition and standards with multiple transition alternatives, extended required effective dates, grandfathering of existing transactions, and early adoption elections.
- Differences in accounting standards for different types of entities.
- Standards that include provisions to achieve specific outcomes, such as through the use of other comprehensive income.

We encourage the Board to expand its efforts to address concerns about complexity in accounting standards beyond the narrow scope projects within the simplification initiative and develop an overall plan to address the broader systemic causes of complexity in financial reporting. We believe the development of a framework on complexity and a plan to address complexity in existing standards beyond the scope of the narrow projects within the simplification initiative should be subject to due process, including exposure for public comment.

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We look forward to working with the Board as it continues to explore additional opportunities for change as part of the simplification initiative. If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419.

Sincerely

*KPMG LLP*

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