



June 29, 2015

Technical Director
File Reference No. EITF-15B
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted via email to director@fasb.org

**Re: Proposed Accounting Standard Update: Liabilities – Extinguishments of Liabilities (Subtopic 405-20)
Recognition of Breakage for Certain Prepaid Stored-Value Cards**

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the proposed Exposure Draft, *Liabilities — Extinguishments of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Cards* issued by the Financial Accounting Standards Board (the Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 12,000 individual members who actively work in public accounting, private industry, government and education. We appreciate the work the Board has undertaken on this effort and the opportunity to respond to this Exposure Draft.

The VSCPA offers the following comments related to the "Questions for Respondents" section of the proposal:

Question 1 — Should the scope of the proposed amendments be limited to prepaid stored-value card liabilities resulting from the sale of cards with the characteristics specified in the proposed Update? If not, what other liabilities should be included in the scope of the proposed Update?

Generally, we support the Board's amendments in the proposed Update in which prepaid stored-value cards would be considered a financial liability and as such an entity would apply the breakage guidance in ASC 606. However, we feel that consideration should be given to include other instruments that are similar to prepaid stored-value card liabilities but do not meet the criteria as described in ASC 405-20-40-4a.

Question 2 — If an entity expects to be entitled to a breakage amount, should a prepaid stored-value card liability within the scope of the proposed amendments be derecognized in proportion to the pattern of rights expected to be exercised by the card holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur? If an entity does not expect to be entitled to a breakage amount, should the liability be derecognized when the likelihood of the customer exercising its remaining rights becomes remote? If not, what breakage model would be appropriate?

We support the breakage model as outlined in the proposed Update.

Question 3 — Should an entity be required to provide the disclosures specified in this proposed Update? Should any other disclosures be required? If yes, please explain what disclosures should be provided.

We agree with the required disclosures, if material, as proposed in the Update.

Question 4 — Should the proposed amendments be applied using a modified retrospective transition method (requiring a cumulative-effect adjustment as of the beginning of the annual period in which the guidance is effective)? If not, please explain why.

Yes, we agree with the position that the proposed amendments be applied using a modified retrospective transition method as proposed in the Update.

Question 5 — How much time would be needed to implement the proposed amendments? Should early adoption be permitted?

We do not think the time needed to implement the proposed amendments would be significant. Therefore, we support the early adoption provision.

Question 6 — Do entities other than public business entities (that is, private companies and not-for-profit entities) need additional time to apply the proposed amendments? Why or why not?

We support an effective date for entities other than public business entities that is one year prior to the effective date for private companies and not-for-profit entities. The latter may not have sufficient resources for the earlier adoption.

Again, the VSCPA appreciates the opportunity to respond to this Exposure Draft. Please direct any questions or concerns to Vice President of Advocacy Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428,

Sincerely,



Charles M. Valadez, CPA, CGMA
Chair

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