

Proposed Accounting Standards Update, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments

Question Text	Response
* Please select the type of entity or individual responding to this feedback form.	Preparer
Other, please specify (Specified)	
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)
Organization *	Gramercy Property Trust
First name *	Stephannie
Middle initial	
Last name *	Wilson
Email address *	swilson@gptreit.com
Phone number	
<p>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?</p>	<p>Yes, I believe that adjustments to preliminary amounts recorded for a purchase price allocation in connection with a business combination should be recorded in the reporting period in which the adjustment amount is determined. By recording the adjustment in the reporting period during which it is finalized, it would vastly simplify the clarity and usefulness of the financial statements. By retroactively adjusting prior period financial statements for adjustment amounts, the impact of the adjustments may be overlooked as current period financial results generally receive the primary attention of financial statement users, and thus the business combination's true effect may not be realized. In comparison, if the aggregate amount of business combination adjustments to previously recorded provisional amounts are recorded in the period in which the final amounts are concluded, then users will be able to clearly recognize the full impact of a company's acquisitions and, because the amounts need to be separately disclosed pursuant to existing GAAP disclosure requirements, they will also be able to isolate these prior period adjustment amounts from the current period results and balances, so there is no confusion between current operations and these adjustments. In this way, the required disclosures in the current period are consistent with the results recorded during the period, which will make the overall financial statements and footnotes more streamlined.</p>

Proposed Accounting Standards Update, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments

<p>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?</p>	<p>Consistent with the comment above, I believe the impact on earnings of adjustments to provisional amounts from the date of acquisition should be reflected in the reporting period in which the adjustments are determined. These adjustments should be recognized within the appropriate income statement line item, such as depreciation or rental revenue. Using this methodology will reduce the misunderstandings that may occur from prior period amounts being adjusted and will minimize the chance that such adjustments are not able to be recognized by users of the financial statements, because they will need to be isolated in disclosures within the financial reports. Further, companies that are in the real estate industry using ASC 805 "Business Combinations" to record real estate acquisitions frequently do not record adjustments to prior periods to reflect the finalized acquisition amounts determined during the measurement period because they are immaterial to their income statements, thus the amendments will help align the disclosure requirements with general practice. Overall, the proposed amendments allow for a more simplified approach for financial reporting, which will make the financial statements more straightforward and meaningful to users.</p>
<p>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?</p>	<p>Yes, it would be most beneficial for the proposed guidance to be effective on a prospective basis for provisional amounts that are identified subsequent to the effective date and are within the measurement period. By allowing the guidance to be applied prospectively to new business combinations before the effective date that are still within the measurement period, it will help companies transition more easily and will reduce the cost and potential confusion of changing figures reported in prior periods. Prospective application will have little impact in how the final adjustments are calculated and will be less complicated because companies will not have to concern themselves with adjusting prior period amounts reported. Prospective application will be a simpler and more streamlined change for all companies as well as users of financial statements.</p>

Proposed Accounting Standards Update, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments

<p>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?</p>	<p>The transition should not require significant additional work for companies, as they are generally already required to calculate the adjustment amounts corresponding to business acquisitions during the measurement period, as applicable. However, to allow flexibility, I believe the amendments should be effective for fiscal years starting after December 31, 2015, with early adoption permissible. The time for application should be the same for all entities as the transition effort should be fairly uniform for both private and public companies.</p>
--	---