

July 28, 2015

Technical Director  
Financial Accounting Standards Board  
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Electronically submitted to [director@fasb.org](mailto:director@fasb.org)

File Reference No. 2015-280

Re: Investments – Equity Method and Joint Ventures (Subtopic 323), *Simplifying the Equity Method of Accounting*

Dear Ms. Cosper:

The Accounting Principles and Auditing Standards Committee (the "Committee") of the Florida Institute of Certified Public Accountants ("FICPA") respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced Proposed Accounting Standards Update issued by the Financial Accounting Standards Board ("FASB"), including the questions posed in the proposal. The FICPA has approximately 19,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 22 members, of whom 50% are from local or regional firms, 9% are from large multi-office firms, 18% are sole practitioners, 9% are in international firms, and 14% are in academia or private industry. Therefore we are addressing this exposure draft both from the viewpoint of preparers of financial statements as well as those performing attest services on them. The Committee has the following comments related to the questions posed by the Board:

1. The Committee agrees that the accounting for the basis difference of an equity method investment as if the investment were a consolidated subsidiary should be eliminated for reasons of practicality for preparers, auditors and for users as well.

Regarding how the basis difference should be accounted for, there was discussion by Committee members on whether the basis difference should be amortized at all and if so whether the amortization should be to earnings or directly to equity. However, it was noted that accounting for the investment at initial cost and not amortizing the basis difference, was a practical way to account for the investment. Amortizing the remaining basis difference would be an artificial drain on earnings in subsequent periods.

2. It was noted in discussion that the capitalization of interest in equity method investments is not seen often. It should also be noted that a number of Committee members do not encounter equity method investments.

3. The Committee believes an entity should apply the proposed amendment in regards to basis difference on a modified prospective basis. It was noted retrospective application for equity method investments can be onerous for preparers and auditors and possibly not decision-useful to investors nor in the spirit of the Simplification Initiative.
4. The Committee believes an entity should no longer be required to apply the equity method on a retrospective basis and should instead apply the equity method from the date an entity achieves significant influence in an investment. It was noted retrospective application for equity method investments can be onerous for preparers and auditors and possibly not decision-useful to investors nor in the spirit of the Simplification Initiative.
5. The proposed guidance to eliminate the requirement to retroactively adopt the equity method of accounting should be applied prospectively. Although it should be noted that unwinding an equity method presentation may not be difficult, however, retrospective application either in unwinding an equity method presentation or of initial recording, may have a negative connotation with investors as it may appear to be a restatement (i.e. correction of an error), when it actually is not.
6. The Committee agrees with the goals of the proposed guidance and as such believes the effective date should be imminent with early adoption permitted and no difference between the effective dates for private and public business entities.
7. The Committee believes the proposed amendment does meet the objection of the Simplification Initiative. One Committee member noted that further simplification could potentially be achieved by eliminating the equity method altogether.

The Committee appreciates this opportunity to respond to this Proposed Accounting Standards Update. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

Brion L. Sharpe, CPA  
Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

Steven Morrison, CPA  
Steven W. Bierbrunner, CPA