Grant Thornton

August 4, 2015

Susan M. Cosper, Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Grant Thornton LLP
175 W Jackson Boulevard, 20th Floor
Chicago, IL 60604-2687

T 312.856.0200
F 312 565 4719
www.GrantThornton.com

Via Email to director@fasb.org

Re: File reference number 2015-280

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update, *Investments – Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting*. We broadly support the Board's Simplification Initiative and efforts to simplify application of the equity method of accounting. However, we do not support issuance of guidance before the Board completes its work on *Accounting for Goodwill for Public Business Entities and Not-for-Profit Entities*. We believe a decision by the Board to amortize goodwill would require the Board to also revisit and subsequently change this proposed ASU to require amortization of the entire basis difference. We also believe the Board needs to address accounting for the formation of a joint venture in conjunction with this proposed ASU. The formation of a joint venture is not within the scope of *Business Combinations (Topic 805)* and there is inconsistency in how joint ventures initially measure assets and liabilities at formation. This inconsistency does not impact how investors in joint ventures account for their investments because of the requirement to account for basis differences in the application of the equity method of accounting. Issuance of the proposed ASU would create inconsistency in the reporting of investments in joint ventures depending on how the joint venture initially measured assets and liabilities contributed by investors.

Our answers to the questions for respondents follow.

Responses on Invitation to Comment questions

Question 1: Should accounting for the basis difference of equity method investments as if the investment were a consolidated subsidiary be eliminated? Why or why not? Would amortization of the entire basis difference through equity method earnings be preferable? If so, what would be the suggested amortization period?

As we discussed above, the answer to this question depends significantly on the outcome of the Board's work on *Accounting for Goodwill for Public Business Entities and Not-for-Profit Entities*. If in conjunction with the Board's aforementioned work on goodwill, the Board ultimately determined that goodwill should be amortized then, we believe, the entire basis difference should be amortized through equity method earnings. We would ultimately support the proposal if the Board retains the existing accounting model for goodwill as long as the Board also addresses accounting for the formation of a joint venture as we previously discussed. It should be noted, however, that under this proposal, we believet if a private company elects the accounting alternative in Subtopic 350-20 on goodwill, that private company should amortize the entire basis difference through equity method earnings using the guidance in Subtopic 350-20.

Question 2: Should the accounting for capitalized interest, which adds to the basis of an entity's equity method investment and is amortized, also be eliminated for equity method investments? Why or why not?

We support the proposed changes to paragraph 40-2 of Subtopic 835-20. We believe the cost and effort necessary to apply the current guidance does not justify the benefits to financial statement users.

Question 3: Should an entity be required to apply the proposed amendments related to accounting for the basis difference on a modified prospective basis as of the effective date? Why or why not?

If the proposed standard is issued, we support applying the amendments on a modified prospective basis. A modified prospective basis would require the least amount of time and cost to apply, and any other alternative would not provide users with information that is sufficiently more useful to justify the cost and effort.

Question 4: Should an entity no longer be required to retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest? Why or why not?

We agree that an entity should no longer be required to retroactively apply the equity method of accounting if an entity subsequently applies the equity method due to an increase in level of ownership. Because the equity method of accounting is premised on significant influence, we believe that an entity should only apply the equity method during periods in which it has significant influence.

Question 5: Should the proposed guidance to eliminate the requirement to retroactively adopt the equity method of accounting be applied prospectively? Why or why not?

We agree that the guidance to eliminate retroactive adoption of the equity method should be applied prospectively. Any other alternative would not provide users with sufficiently more useful information to justify the cost and effort.

Question 6: 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?

Grant Thornton

We do not believe a significant amount of time would be needed to implement the proposed guidance. We believe that early adoption of the proposed standard should be permitted. We do not believe that entities other than public business entities would need more time to adopt the amendments.

Question 7: Would the proposed amendments meet the objective of the Simplification Initiative, which is to improve GAAP by reducing cost and complexity while maintaining or improving the usefulness of the information provided to users of financial statements? Why or why not?

We do not believe the proposed amendments to eliminate the requirement for an equity method investor to account for basis differences, without also addressing the accounting for joint venture formations, meets the objective of the Simplification Initiative, because it would not maintain the usefulness of information provided to users of financial statements.

If an investor contributes a subsidiary or group of assets that is a business to a joint venture and the joint venture initially measures the assets and liabilities contributed using the carryover basis of the investor, basis difference will exist that would never be eliminated until disposal of the equity method investment. However, if an investor contributes a subsidiary or group of assets that is a business to a joint venture and the joint venture initially measures the assets and liabilities contributed at fair value, there would be no basis difference. These potential basis differences can be significant and give rise to significant adjustments by investors when recognizing equity method earnings or losses.

If an investor contributes a subsidiary or group of assets that is not a business to a joint venture and the joint venture initially measures the assets and liabilities contributed at fair value, basis difference will exist that would never be eliminated until disposal of the equity method investment. Again, these basis differences can be significant and give rise to significant adjustments by investors when recognizing equity method earnings and impact the elimination of intra-entity profits and losses.

We also believe that issuing the proposed amendments to eliminate the requirement for an equity method investor to account for basis differences prior to the Board completing its work on *Accounting for Goodwill for Public Business Entities and Not-for-Profit Entities* would increase cost and complexity if the Board ultimately decides to require amortization of goodwill.

****

We would be pleased to discuss our comments with you. If you have any questions, please contact Mark Scoles, partner, 312-602-8780, mark.scoles@us.gt.com.

/s/ Grant Thornton LLP