FICPA
Florida Institute of Certified Public Accountants

November 18, 2016

Technical Director
File Reference No. 2016-340
Financial Accounting Standards Board
407 Merritt 7
P. O. Box 5116
Norwark, CT 06856-5116

Via email: director@fasb.org

Re: Proposed Accounting Standards Update, ***Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities (File Reference No. 2016-340)***

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 Statement of Financial Accounting Concepts, including the questions posed in the "Questions for Respondents" section. The FICPA has more than 20,000 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of approximately 20 members, of whom 50% are from local or regional firms, 22% are from large multi-office firms, 17% are sole practitioners, and 11% are in international firms. The Committee has reviewed and discussed the above referenced Proposed Accounting Standards Update, including the three questions posed in the "Questions for Respondents.":

1. The Committee agrees that premiums on purchased callable debt securities should be amortized to the earliest call date because it aligns the interest recognition with the "yield to worst" pricing scenario already incorporated into the underwriting of those securities. Some Committee members, however, have expressed concerns about the lack of guidance for cases where the call date is not necessarily defined at the time of the purchase but would be triggered by some future events. Others question the discrepancy in the amortization treatment of premiums versus discounts on callable debt securities. Finally, a few members fear that this proposal might be influenced by current market conditions and that a significant reversal of the market conditions might trigger revised guidance. As a result of these concerns, the Committee recommends that the proposed accounting standard incorporate additional guidance on the call contingency feature when it's not date-based. We also recommend the Board consider including additional disclosures about other callable bases and a pro-forma amortization of the premiums through maturity showing their impact on the periods being presented.

2. As this proposed amendment would change the basis for the recognition of premium amortization, the Committee recommends at least one year before implementation of the accounting update to allow enough time for investors with large portfolios to reset their system. Early adoption should be permitted.

3. The Committee agrees with the Board's proposed transition method and required disclosures. A cumulative catch-up adjustment, based on the modified retrospective approach, would facilitate the comparability of the financial statements.

The Committee appreciates the opportunity to respond to this exposure draft. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

Ed Cranford, CPA
Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:
Helen Painter, CPA
Yanick J. Michel, CPA