



May 4, 2017

Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116
director@fasb.org

Re: File Reference No. 2017-200: Proposed Accounting Standards Update—Debt (Topic 470): *Simplifying the Classification of Debt in a Classified Balance Sheet (Current versus Noncurrent)*

The Accounting and Auditing Procedures Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the proposed accounting standards update (ASU). The PICPA is a professional CPA association of more than 22,000 members working to improve the profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, members serving in financial reporting positions, and accounting educators.

Our committee is responding specifically to Question 5 of the proposed ASU that requests comments on the proposed requirement that a debt arrangement technically current at the balance sheet date, but subsequently refinanced as long-term debt, be classified as a current liability. The committee considers this proposed classification as a significant change in current practice, and is concerned that the proposed treatment could mislead financial statement users as to an organization's short-term cash requirements. The committee also believes that this proposed revision would be burdensome for privately-held entities, requiring allocation of otherwise limited resources to going-concern evaluations, additional footnote disclosures, and explaining to financial statement users why the organization is not at a risk of failing to meet its current obligations.

The committee recognizes that entering into a new debt agreement (refinancing) subsequent to period-end is a Type II subsequent event that is not ordinarily recorded as of the balance sheet date. However, the committee views refinancing debt as similar to debt covenant waivers, for which there is an exception. While an organization frequently is not aware of loan covenant violations until after the period closes, management typically is in discussions with lender(s) to refinance debt well before the balance sheet date; accordingly, the process of refinancing is in motion and only the timing of the closing is undetermined.

The Committee requests that the standards continue to permit the refinanced debt to be reflected as a noncurrent liability, perhaps under a unique caption similar to the proposed presentation requirement for debt with waived covenants, and supplemented with a disclosure describing the refinancing.

We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert E. Williams".

Robert E. Williams, CPA
Chair, PICPA Accounting and Auditing Procedures Committee