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May 5, 2017

Financial Accounting Standards Board
Technical Director, File Reference No 2017-200
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to: Director@fasb.org

RE: EXPOSURE DRAFT JANUARY 10, 2017 - PROPOSED ACCOUNTING STATEMENTS UPDATE – DEBT (TOPIC 470) – SIMPLIFYING THE CLASSIFICATION OF DEBT IN THE A CLASSIFIED BALANCE SHEET(CURRENT VS. NONCURRENT)

Ladies and Gentlemen:

The Accounting Principles and Auditing Procedures Committee ("Committee") is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes as well as members in both industry and academia. The majority of the members of the Committee primarily serve small and medium sized clients. The Committee has reviewed and discussed the above-mentioned Exposure Draft. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the Organizations with which the Committee members are affiliated.

First the Committee thanks the FASB for the opportunity to comment on this Exposure Draft.

The Committee has reviewed the Exposure Draft as detailed above. The Committee is overall supportive of the work of the FASB.

The members of the Committee mainly are preparers, auditors and advisors to small and medium sized entities.

General Comments

The Committee is generally not in favor of certain sections of the Exposure Draft.

Members of the Committee have expressed the concern that the Exposure Draft will result in confusion. The members further feel that the application of the update in certain instances will not provide enhanced financial information which should be the purpose for enacting any Update. Members further believe the Update is inconsistent with FASB 6.

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The main disagreement the members of the Committee have expressed with this Update is the provision related to the reclassification of a refinanced debt. The members of the Committee find it inconsistent that a refinancing of a debt due on a short-term basis and that is refinanced on a long-term basis after the balance sheet date but before the issuance date of the financial statements is treated differently than a loan covenant waiver that is received after the balance sheet date but before the issue date of the financial statements.

It is the strong recommendation of the Committee that a debt due on a short-term that is refinanced on a long-term basis after the balance sheet date but before the issuance date of the financial statement be allowed to be classified the portion of the debt that is noncurrent as noncurrent.

In essence the Committee states that both the debt covenant waiver and debt refinancing have the exception as set forth in paragraph 470-0-45-23 for Covenant Violation be applied to both situations.

The Committee further recommends that the same disclosure requirements as set forth under the loan covenant provision of the Update be adopted for refinanced debt provided the debt can be classified as long-term in accordance with the Committee's recommendation above.

See the Committee answers below for greater clarity on the above.

Response to Specific Questions

Question 1

Paragraph 470-10-45-22 includes a principle for classifying debt as a noncurrent liability in a classified balance sheet. Would the proposed principle simplify the classification guidance in GAAP without diminishing the usefulness of the information provided in the financial statements? Is the proposed principle clear? Why or why not? Please explain and suggest alternatives.

Response

Paragraph 470-10-45-22 sets only a base line general guideline of debt of debt classification that can be settled more 1 year after the balance sheet date. The Committee is agreement with the general guideline.

However the Committee expresses the concern that the overall Update will lessen the usefulness of the financial information provided by this Update. Preparers and users of financial statements understand the present standards for classifying debt. The Committee believes this understanding provides the most useful information relating to debt arrangements. The Committee recommends that the present standards related to the accounting treatment of both the loan covenant violation and debt refinancing be left unchanged. The Committee does

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understand the need for disclosure of these two situations and suggests a more clear disclosure requirement as set forth in the Update be adopted.

Question 2

The scope of the amendments in this proposed Update includes debt arrangements as well as (a) liability-classified mandatorily redeemable financial instruments within the scope of Topic 480, Distinguishing Liabilities from Equity, and (b) debt with conversion and other options that are within the scope of Subtopic 470-20, Debt—Debt with Conversion and Other Options. Is the scope of the proposed amendments clear? Why or why not? Are there any other instruments that should be included within the scope of the proposed amendments? If so, please explain.

Response

The committee has no concerns with the scope of the Update

Question 3

Paragraph 470-10-45-23 includes an exception to the classification principle for waivers of debt covenant violations received after the reporting date but before the financial statements are issued (or are available to be issued). Will including this exception reduce the cost of the proposed amendments? Why or why not? Please explain and suggest alternatives.

Response

The proposed exception does not change the present accounting standards for debt covenant waivers. Thus the Committee has not objection to this provision. The Committee further no effect on cost of the proposed amendment related to the debt covenant waiver.

Question 4

Paragraph 470-10-45-24 would require separate presentation in a classified balance sheet for debt that is classified as a noncurrent liability because of a waiver of a debt covenant violation received after the reporting date but before the financial statements are issued (or are available to be issued). Does separate presentation of this amount provide decision-useful information for those using the financial statements? Why or why not? Please explain and suggest alternatives.

Response

The Committee supports this disclosure requirement for debt loan covenants. The Committee strongly recommends it be also applied for debt classified due on a short-term basis that can be

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classified as non-current based on a refinancing after the balance sheet date but before the issuance date of the balance sheet. See the Committee recommendation under the General Comment section above.

Question 5:

The proposed amendments would require an entity to classify as a current liability a debt arrangement that is short-term debt (at the balance sheet date) but that is subsequently refinanced as long-term debt (after the balance sheet date but before the financial statements are issued). That would result in more current liabilities and less noncurrent liabilities, as compared with current GAAP. Do you agree that these refinancings are nonrecognized subsequent events? If not, please explain why and suggest alternatives.

Response

See our recommendation under General Comments above. The Committee believes the debt covenant waiver and the refinancing of a short term debt are conceptually one in the same situation. The Committee strongly believe exceptions should be provided for both situations.

Question 6

Paragraph 470-10-50-6 provides new disclosure requirements. Do the proposed disclosure requirements provide decision-useful information? If not, please explain why and suggest alternatives.

Response

The Committee is in agreement with these new disclosure requirements.

Question 7

How much time would be necessary to adopt the proposed amendments? Would 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? Do you agree that early adoption should be permitted?

Response

First the Committee believes this answer depends on the treatment of the refinanced debt as detailed above.

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If the recommendation as set forth by the Committee above is accepted the Committee feels there will not be any substantial time needed to implement the standard Update.

If the refinancing portion of the Update is left as is there will be additional costs that will be incurred. These cost will not be substantial since it will involve time to prepare additional disclosure as part of subsequent events footnote detailing the refinancing.

One other additional cost maybe that entities in an effort to have the refinancing in place before the balance sheet date will incur additional costs to accelerate that process,

The Committee notes the feedback provided by some members of the PCC in paragraph BC18 that the project focus should be on targeted areas but retain the current GAAP for post balance sheet refinancings and fully agrees with that feedback.

Thank you for allowing us the opportunity to comment on this exposure draft.

Philip B. Pacino, CPA, Chairman
Accounting Principles and
Auditing Procedures Committee
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