May 5, 2017

VIA EMAIL TO: director@fasb.org

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update – Debt (Topic 470): File Reference No. 2017-200

Dear Technical Director:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update – *Debt (Topic 470)*, and strongly support FASB's simplification initiative.

Founded in 1919, the Alabama Society of Certified Public Accountants (ASCPA) is the statewide, professional membership organization representing over 6,500 Alabama CPAs in public practice, industry, government and education. The ASCPA actively works to serve the needs of Alabama citizens and its CPA members through its mission to protect, educate and connect.

The following are our responses, on behalf of the ASCPA's Professional Standards Committee (the Committee), to the 7 questions submitted in the discussion paper:

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?

While the proposed principle is clear, and we do agree that this proposal will simplify the classification guidance for certain entities, we believe that this guidance will not be a cost effective measure for certain entities.

We further believe that the aspect of debt classification (i.e. current vs. non-current) associated with a debt refinancing after the balance sheet date but prior to the report issuance date is not overtly complex.

The definition of current liabilities under existing GAAP is based on whether the entity expects to relieve its current liabilities with current assets. This proposal appears to change that definition.

We believe the financial statements themselves should be geared to assist its users to better understand and evaluate the liquidity of the entity being considered. Under this proposal, this understanding would be diminished when an entity has refinanced its current debt prior to the report issuance date. For example, if an entity were required to classify its debt as short term (on its December 31 year end financial statements) and then immediately refinanced this debt on January 1 to a 10 year term, does this benefit the users of the financial statements or clearly define the liquidity of the Company by classifying this debt as current? We believe it does not.

Furthermore, we believe that certain industries will be greatly affected from an operational and a cost standpoint. Specifically, the construction industry. Currently, most states place bid limits on contractors that are based on their working capital. Contractors, on a regular basis, renegotiate debt after their balance sheet date, but prior to their report issuance date, to increase their legal bid limits. The implementation of this proposal, without consideration of this industry, could prove to be costly to contractors. This proposal could potentially reduce the size of jobs that contractors can bid on (operational effect), or cause them to incur additional professional fees (costly effect) to the fact that a contractor may be required to pay additional fees for a report with a later balance sheet date (i.e. they would be required to have reviewed financial statements after the refinance date, causing professional fees to significantly increase).

Due to this significant operational effect on this industry's business (i.e. bid limits) and the potential increase in entities professional fees, we believe the costs of this proposal as currently worded greatly outweighs the benefits of simplification.

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.

We believe that the scope of the amendment is clear. We do not believe that additional instruments should be included.

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.

We believe that the exception is beneficial to users of the financial statements and we agree with the exception provided. However, the term "not probable that any other covenants" in item (d) in this paragraph is a broad statement that should be clarified to allow for consistent application among entities.

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.

We believe that separate presentation is not beneficial to the users of the financial statements and do not believe that this proposal should include separate presentation. We believe that if the non-current criteria are met, that classification in the non-current section is sufficient. However, refer to Question #1's response for issues we believe are associated with this proposed change on classification.

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.

We do not believe that the criteria for recognized or nonrecognized subsequent event should be the driving factor in classification. As previously discussed in our response to Question #1, we do not believe the users of the financial statements will benefit from the requirement this proposal has to classify debt refinanced after the balance sheet date as current.

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.

We believe that this proposed disclosure is pertinent and provides decision-useful information to the users of the financial statements

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?

We believe that entities would not need a significant amount of time to implement the standard as proposed. We also believe that the standard should become effective upon issuance so that financial statements are consistent between entities.

In conclusion, the Committee recognizes that the FASB and its staff have put a lot of thought and effort into the simplification initiative. Our Committee values all the work done by FASB to identify, evaluate, and improve areas of GAAP and striving to improve the usefulness of information provided to the users of financial statements. The Committee appreciates the opportunity to respond to this discussion paper and members are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

ASCPA Professional Standards Committee

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