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August 14, 2017

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

**RE: Proposed Accounting Standards Updates, *Elimination of Topic 995*, and  
*Elimination of Certain Guidance for Bad Debt Reserves of Savings and Loans* (File  
Reference Nos. 2017-250 and 2017-260)**

Dear Technical Director:

We appreciate the opportunity to comment on the proposed ASUs, *Elimination of Topic 995*, and *Elimination of Certain Guidance for Bad Debt Reserves of Savings and Loans*. While we generally agree with the proposed amendments, we believe the Board should clarify certain amendments and add others.

Our responses to the Questions for Respondents are included in Appendix I to this letter. Our additional observations are in Appendix II.

\* \* \* \* \*

If you have questions about our comments or wish to discuss the matters addressed herein, please contact Kimber Bascom at (212) 909-5664 or [kbascom@kpmg.com](mailto:kbascom@kpmg.com), or Angie Storm at (212) 909-5488 or [astorm@kpmg.com](mailto:astorm@kpmg.com).

Sincerely,

**KPMG LLP**

KPMG LLP

## Appendix I – Responses to Questions for Respondents

### Elimination of Topic 995

#### Question 1:

*Do you agree that the guidance in Topic 995 is no longer relevant and should be superseded?*

Yes. Based on our understanding of the tax regulations, we believe that Topic 995 is no longer relevant and should be superseded.

#### Question 2:

*Do you agree that all entities that may have unrecognized deferred taxes related to statutory reserve deposits made on or before December 15, 1992, should recognize those deferred taxes in accordance with Topic 740 if they are not already doing so? If not, why not?*

Yes. We believe that all entities should recognize in accordance with Topic 740 previously unrecognized deferred taxes related to statutory reserve deposits made on or before December 15, 1992. However, we believe that the Board also should provide guidance about the financial statement caption in which entities should recognize the transition adjustment at adoption.

#### Question 3:

*The amendments in this proposed Update would require an entity that is required to recognize previously unrecognized deferred income taxes as a result of the proposed amendments to disclose the types of temporary differences for which a deferred tax liability had not previously been recognized. Do you agree with this disclosure? If not, why not?*

No. We do not believe that incremental transition disclosures are necessary. We believe that the disclosures about changes in accounting principles that are already required under Topic 250 are adequate to provide users of financial statements with information about previously unrecognized deferred taxes.

If the Board does require incremental transition disclosures in the final ASU, it should identify the specific amendments to the Codification. As drafted, the proposals mention the amendments in the forepart only.

#### Question 4:

*Should the Board require all entities with statutory reserves made on or before December 15, 1992, to adopt the proposed amendments upon issuance of the final Update? If not, why not?*

No. We believe the Board should set an effective date that is at least one interim reporting period after it issues the final standard (with early adoption permitted) to allow entities with a transition adjustment adequate time to adopt the standard.

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### **Elimination of Certain Bad Debt Reserves of Savings and Loans**

#### Question 1:

*Do you agree that the guidance in Subtopic 942-740 for bad debt reserves of savings and loans (and other qualified thrift lenders) that arose after December 31, 1987, is no longer relevant and should be superseded from the Codification? If not, why not?*

Yes. We believe that the guidance is no longer relevant and should be superseded from the Codification.

#### Question 2:

*Do you agree that the guidance related to Circular 202 on the accounting for net deferred tax charges is no longer relevant and should be superseded from the Codification? If not, why not?*

Yes. We believe that the guidance is no longer relevant and should be superseded from the Codification.

## **Appendix II – Additional Observations**

### **Elimination of Certain Bad Debt Reserves of Savings and Loans**

#### Paragraph 942-740-25-1

The final ASU should reflect the fact that the Pending Content identified in paragraph 942-740-25-1 of the proposal is now current content (i.e. the current content in the proposed ASU has rolled off).

#### Subparagraph 942-740-50-1(c)

The Board proposes superseding paragraph 942-740-25-2. Subparagraph 942-740-50-1(c) should be updated to reflect that change.

Subparagraph 942-740-50-1(c) also refers to paragraph 942-740-25-3, which discusses the need for a valuation allowance on deferred tax assets related to a savings and loan association's bad debt reserve. We believe that the reference to paragraph 942-740-25-3 in the last sentence should be deleted because that paragraph is not related to the recognition exception.