Tel: 312-856-9100
Fax: 312-856-1379
www.bdo.com

330 North Wabash, Suite 3200
Chicago, IL 60611

December 1, 2017

Via email to director@fasb.org

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

Re: Codification Improvements (File Reference No. 2017-320)

Dear Ms. Cosper:

We are pleased to provide comments on the proposed Accounting Standards Update (ASU), *Codification Improvements*.

We support the Board's ongoing project regarding technical corrections and improvements to clarify the FASB Accounting Standards Codification. We also generally agree with, and support finalizing, the proposed Codification improvements. Appendix A contains our responses to the Questions for Respondents, including our suggestions for improving certain aspects of the proposed amendments. Appendix B identifies additional technical corrections that we believe the Board should deliberate and expose for public comment as part of its ongoing Codification improvements project.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673, Yosef Barbut at (212) 885-8292, or Jin Koo at (214) 243-2941.

Very truly yours,

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Appendix A

Question 1: Do you agree with the amendments to the Codification in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

While we generally agree with the proposed amendments, we believe the Board should clarify the following matters:

Amendments to Subtopic 220-10, Comprehensive Income—Overall

We agree with the proposed amendment on removing the generic phrase "taxes not payable in cash" in ASC 220-10-45-10B(b)(2). However, we believe that the proposed addition specific to a quasi-reorganization does not consider other tax effects that flow through equity (not other comprehensive income). We recommend for completeness that the Board include in this paragraph a reference to ASC 740-20-45-11(g) which requires all changes in the tax bases caused by shareholder(s) transaction(s) to also be recognized in equity (not in other comprehensive income).

Amendments to Subtopic 470-50, Debt—Modifications and Extinguishments

We agree with the proposed addition of paragraph 470-50-40-2A on extinguishments of debt. However, we suggest adding the phrase "previously recorded in other comprehensive income" at the end of the paragraph to clarify that the amount to be included in net income is the cumulative amount of the gain or loss on the extinguished debt that resulted from changes in instrument-specific credit risk previously recorded in other comprehensive income. If this is not the Board's intent, we ask that this paragraph be clarified to meet the Board's intent.

Amendments to Topic 718-740, Compensation – Stock Compensation – Income Taxes

The proposed change to paragraph 718-740-35-2 notes that "[t]he tax effect shall be recognized in the income statement in the period in which the *uncertainty about the amount of the deduction is resolved*, which typically is when an award is exercised or expired, in the case of share options, or vests, in the case of nonvested stock awards. [Emphasis added]" It is unclear what the revised guidance means by "uncertainty". Is this referring to the FIN 48 concept on uncertainty? We suggest the following change for clarity: "[t]he tax effect shall be recognized in the income statement in the period in which the amount is deductible on the tax return, which typically is when an award is exercised or expired, in the case of share options, or vests, in the case of nonvested stock awards."

Amendments to Subtopic 805-740, Business Combinations – Income Taxes

The proposed amendment in paragraph 805-740-25-13 could be interpreted that if the purchase price is not pushed down, the entity would have to recognize deferred taxes (in consolidated financial statements) through equity which would be incorrect. Therefore, we recommend that this paragraph be removed. If the proposed guidance is retained in the final amendments, then we suggest the following: "If there is a continuation of the historical basis for financial reporting, for example, when pushdown accounting is not applied in separate company financial statements, or there is a taxable spinoff…" We believe adding a reference on "taxable spinoff" (as suggested previously) would clarify frequent instances of taxable spinoffs, whereby the spinee receives the tax basis step up in the transaction while book basis is unchanged.

Question 2: Would any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions? If so, please describe?

We do not believe that the proposed amendments would require transition provisions.

Question 3: Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the Board will conduct Codification improvement projects on a periodic basis, and additional changes may be postponed to a subsequent Codification improvement project.

We do not have any further suggestions that should be made directly or indirectly to the proposed amendments.

Question 4: The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

We believe the proposed amendments should apply to both public and nonpublic entities.

Appendix B

Item 1: ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity

If a component is held-for-sale and qualifies as a discontinued operation, then Subtopic 205-20, Presentation of Financial Statements—Discontinued Operations, requires reclassification of both the balance sheet and the income statement for both the current and prior periods. If a component does not qualify as a discontinued operation, it falls under Topic 360, Property, Plant, and Equipment, which states that only the current period is to be adjusted.

Paragraph 360-10-45-14 of ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, has been amended to state:

> *"A long-lived asset classified as held for sale (but not qualifying for presentation as a discontinued operation in the statement of financial position in accordance with paragraph 205-20-45-10) shall be presented separately in the statement of financial position of the current period. The assets and liabilities of a disposal group classified as held for sale shall be presented separately in the asset and liability sections, respectively, of the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately presented on the face of the statement of financial position or disclosed in the notes to financial statements (see paragraph 360-10-50- 3(e)).~~The presentation requirements in paragraph 205-20-45-10 are also applicable to long-lived assets (disposal groups) within the scope of this Subtopic.~~"*

Prior to the issuance of ASU 2014-08, the standard was silent regarding the period(s) for which an asset that is held for sale should be presented as such. However, the ASU added the phrase "the current period," which when read literally would preclude reclassifying an asset as held for sale in a prior, comparative period. We question whether "the current period" was intentionally added in ASU 2014-08 to specify that the reclassification is made in the current period only, and thus prohibit an entity from reclassifying a held for sale asset in the prior period.

Based on prior informal discussions with the FASB staff, we understand that the staff believes that the inclusion of the language "the current period" was intentional because a draft of ASU 2014-08 did not include such explicit language. Further, the FASB staff indicated that ASU 2014-08 was a convergence project whereby International Financial Reporting Standard (IFRS) 5, Non-cash Assets Held for Sale and Discontinued Operations, is explicit that prior period should not be reclassified. However, we also understand that the FASB staff believes that prior period reclassification could provide useful information to users of the financial statement, and thus should not be precluded.

For these reasons, we ask that the Board clarify its intention on explicitly adding the phrase "the current period" in ASU 2014-08.

Item 2: ASU 2017-11, Earnings per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception

We understand that the amendments in Part II of the ASU were not intended to have an accounting effect and that they merely take the indefinite deferral and replace it with a scope exception. However, we believe that the ASU could be interpreted differently as described below.

Paragraph 15-7A of ASU 2017-11 states:

> The classification, measurement, and disclosure guidance in this Subtopic does not apply to mandatorily redeemable financial instruments that meet both of the following:
>
> a. They are issued by nonpublic entities that are not Securities and Exchange Commission (SEC) registrants.
>
> b. They are mandatorily redeemable, but not on fixed dates or not for amounts that either are fixed or are determined by reference to an interest rate index, currency index, or another external index.

Some interpret paragraph b above as financial instruments that are mandatorily redeemable either on a fixed date or for a fixed amount. In other words, a non-SEC registrant that issued a financial instrument that is mandatorily redeemable at $1M (fixed amount) upon a change in control (not a fixed date) would not qualify for the scope exception because the financial instrument is mandatorily redeemable at a fixed amount. Similarly, if the instrument is mandatorily redeemable at December 31, 2017 (fixed date) for an amount outstanding at that point (not a fixed amount), it would not qualify for the scope exception because the instrument is mandatorily redeemable at a fixed date.

Others interpret paragraph b above as financial instruments that are mandatorily redeemable at a fixed date for a fixed amount. They believe this to be consistent with the original standard prior to the amendment (FSP 150-3). Essentially, the instrument must not be mandatorily redeemable on a fixed date and for a fixed amount.

In informal discussions, the FASB staff confirmed that the ASU was not intended to change the accounting effect of the prior guidance. Therefore, we suggest that paragraph 15-7A be clarified as follows:

> The classification, measurement, and disclosure guidance in this Subtopic does not apply to mandatorily redeemable financial instruments that meet both of the following:
>
> a. They are issued by nonpublic entities that are not Securities and Exchange Commission (SEC) registrants.
>
> b. They are not mandatorily redeemable~~, but not~~ on fixed dates ~~or not~~ for amounts that either are fixed or are determined by reference to an interest rate index, currency index, or another external index.