



February 1, 2018

Ms. Susan M. Cospers, Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Re: **File Reference No. 2018-210**, Proposed Accounting Standards Update, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*

Dear Ms. Cospers:

The Financial Reporting Committee (FRC or Committee) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board's (Board/FASB) Exposure Draft of the Proposed Accounting Standards Update (ASU), *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*.

The IMA is a global association representing over 100,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at www.imanet.org (About IMA, Advocacy, Financial Reporting Committee).

We applaud the Board for its timely response to the concerns expressed by constituents and support the proposed ASU. It is a sensible approach to the negative impact to regulatory capital of banking and insurance constituents caused by the guidance in current generally accepted accounting principles (GAAP) requiring the effect of the recent change in the tax rates on deferred tax amounts to be included in income in the period of enactment. The related income tax effects of certain items were originally recognized in other comprehensive income (OCI); not in income (referred to as stranded tax effects). The Proposed ASU requires the reclassification of these stranded tax effects from accumulated OCI to retained earnings.

Regarding Question 5 on whether the Board should add a project to its agenda on backwards tracing, we believe that a broader project should be added. Backwards tracing is appealing in theory and required by International Financial Reporting Standard 12. We understand that the current GAAP prohibition resulted from input concerning the considerable process, control and administrative effort that backwards tracing requires. For certain of our preparer members with no meaningful accumulated stranded tax effects yet voluminous activity, backwards tracing would not be cost beneficial. For other preparer members with significant stranded tax effects in accumulated OCI resulting from limited



activity, the effort would be cost beneficial. Therefore, we believe that optionality should be explored. In addition, the project research should investigate technology now available to address the process, control and administrative effort entailed in backwards tracing.

We also applaud the timely issuance of FASB staff Q&As related to the Tax Cuts and Jobs Act to timely address constituents' questions.

We would be pleased to discuss our comments with the FASB or its staff at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "N. Schroeder". The signature is written in a cursive, flowing style.

Nancy J. Schroeder, CPA
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Institute of Management Accountants
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