July 27, 2018

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

Re: Agenda request – recognition and measurement of equity securities without readily determinable fair values

Dear Ms. Cosper:

PricewaterhouseCoopers LLP appreciates the opportunity to provide an agenda request to the FASB. We request that the FASB consider an agenda topic addressing how the guidance in ASC 323, *Investments - Equity method and joint ventures,* and ASC 321, *Investments – Equity securities,* should be applied when the measurement alternative under ASC 321-10-35-2 has been elected.

We believe that this is a pervasive issue as there are many companies that apply the ASC 321-10-35-2 measurement alternative that have investments under both ASC 323 and ASC 321. Additionally, there are many companies that have transactions that cause the accounting for those investments to move between ASC 323 and ASC 321. We believe that this is a narrow issue that can be resolved in a short period of time and therefore may be with the remit of the EITF.

Overview

The equity method of accounting (ASC 323) is required to be applied to an investment in common stock when the investor has significant influence over the investee. If an investor does not have significant influence, ASC 321 is the prevailing guidance.

ASC 321-10-35-2 allows an entity to elect to measure certain equity investments without a readily determinable fair value at cost minus impairment, plus or minus changes resulting from observable price changes in orderly transactions of identical or similar investments of the same issuer. We understand that when the measurement alternative is applied and a transaction price is observed for the identical or similar security of the same issuer, the FASB staff believes that the equity security should be measured at fair value under ASC 820, *Fair Value Measurements* – as opposed to recording an adjustment based solely on the change in the observed transaction price.

Questions have arisen related to the interaction of the guidance in ASC 323 and ASC 321 and how the measurement alternative should be applied when an investor obtains or losses significant influence. Specifically, questions have come up as to how the transaction that causes an investor to obtain or lose significant influence should be considered when determining whether an observable transaction has occurred that would require the remeasurement of the investment.

Other questions have arisen related to the interaction of the guidance in ASC 323 and ASC 321 and how the measurement alternative should be applied when an investor has additional equity method investment losses that have been allocated to an equity security of the same investee. ASC 321-10-35-5 states that when equity method losses are allocated to an equity security, this "... becomes the equity security's basis from which subsequent changes in fair value are measured." The guidance is not prescriptive as to whether the equity method or the measurement alternative is applied first, the order of which could impact the value recorded significantly as GAAP earnings and fair value diverge. There is also a question as to whether a company should record the change in the observable price or whether it should remeasure the equity security so that the carrying value is equal to the observable price when there is a remeasurement event. Additionally, questions arise as to the sequencing of an observable price and equity method losses when there is uncertainty as to the specific dates on which they occurred during the period.

Questions

A few of the specific questions resulting from these issues include:

Question 1: *Should an observable transaction that results in a company losing significant influence and thus "leaving" the equity method and applying the measurement alternative result in a remeasurement event?*

Question 2: *Should an observable transaction that results in a company obtaining significant influence and thus "leaving" the measurement alternative and applying the equity method result in a remeasurement event?*

Question 3: *When equity method losses are allocated to an equity security, how should the measurement amount be determined when there is a remeasurement event?*

Question 4: *In what sequence should the applicable guidance be applied when there are equity method losses allocated to an equity security and a remeasurement event?*

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If you have any questions, please contact David Schmid at (973) 236-7247 or Andreas Ohl at (973) 236-7201.

Sincerely,

PricewaterhouseCoopers LLP

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