



June 28, 2019

Mr. Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference No. 2019-600

Dear Mr. Kuhaneck:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Board's proposed Accounting Standards Update, *Disclosure Improvements, Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*. We support the FASB's ongoing efforts to provide regular updates and improvements to the Codification.

We support the Board's and SEC's shared goal to streamline disclosures and remove redundancies between SEC disclosure requirements and US GAAP. We agree with the Board's decision not to propose amendments for certain of the referred disclosures. Procedurally, we recommend the Board finalize the proposed amendments so that the SEC can then evaluate the disclosure requirements in Regulation S-X and Regulation S-K, and eliminate any duplication as part of its Disclosure Update and Simplification project.

As the FASB and SEC projects progress, we think it is important for preparers and practitioners to be able to understand the entities to which each respective requirement applies. As discussed within Section A, *Scope of the Amendments*, within the SEC's Release No. 33-10532, *Disclosure Update and Simplification*, the amendments affect a variety of entities regulated by the SEC. The SEC generally refers to the affected entities within its document as "Issuers." Issuers, as defined by the SEC, are not the same as Public Business Entities (PBEs) as defined by US GAAP. An entity may meet the FASB definition of a PBE solely because its financial statements or financial information are included in another entity's filing with the SEC, but the PBE would not be considered an Issuer under the SEC definition. In addition, subsidiaries of issuers that separately prepare financial statements may not be considered Issuers, but may be considered PBEs. Such entities (PBEs that are not Issuers) could have additional or changed disclosure requirements as a result of this proposal.

We believe that preparers are best suited to comment on the operability of the proposed disclosures. However, auditing the proposed disclosures will require incremental audit effort, resulting in additional costs when such items have not previously been subject to audit procedures. The questions regarding the time period required for implementation are better addressed by preparers. However, we believe that early adoption should be permitted.

The Appendix contains our responses to the Questions for Respondents, including certain instances in which we recommend additional modifications.



* * * * *

If you have any questions regarding our comments, please contact David Schmid at (973) 236-7247 or Maria Constantinou at (973) 236-4957.

Sincerely,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP



Appendix

The discussion below details suggested modifications to some of the proposed amendments, and the few amendments with which we disagree.

Amendments to Master Glossary

We do not agree with removal of the term “Foreign Currency” from the Master Glossary. It is not clear why this definition is no longer relevant. We agree with the other proposed edits.

Amendments to Subtopic 205-10

We agree with the proposed edits.

Amendments to Subtopic 250-10

We agree with the amendment to require that the financial statements of both the interim period of the change and the annual period of the change describe the nature and reason for a change in the reporting entity. However, we recommend that the ED clarify that the interim period change does not apply to private companies.

We do not agree with the proposed amendment requiring disclosure of the cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented. In accordance with ASC 250-10-45-21, a change in reporting entity requires retrospective combination of the entities for all periods presented as if the combination had been in effect since inception. As these statements have been retroactively changed to be that of the new reporting entity, the financial statements of the old entity effectively no longer exist. We do not believe it is useful to disclose the impact to financial statements that do no longer exist.

Amendments to Subtopic 260-10

We generally agree with the amendments proposed to ASC 260-10, but would suggest, consistent with the example in ASC 260-10-55-52, that the disclosure required by ASC 260-10-50-1(d) be permitted to be made by type of instrument as opposed to “each” security. We also note that the proposed guidance refers to “security,” which may not include instruments such as warrants. We propose the following edits:

The methods used in the diluted earnings-per-share computation for each type of potentially dilutive security instrument (for example, ~~that is,~~ treasury stock method, if-converted method, two-class method, or reverse treasury stock method).

Amendments to Subtopic 270-10

We are unclear why the amendment to ASC 270-10-50-1(g) reference changes in the reporting entity. Any change in reporting entity is required to be applied retrospectively and the fact that there was an underlying change would be disclosed. All reporting and disclosure requirements under existing GAAP would continue to be applicable to retrospectively applied changes in reporting entity in accordance with ASC 250-10-45-21.

The proposed amendment to ASC 270-10-50-7(a) refers to “transactions” between entities under common control. We believe the wording should be consistent with the wording used in BC21 of the proposed ASU, which describes a “combination” of entities under common control. This amendment



seeks to address supplemental disclosure of the separate results of combined entities, which are different than transactions between such entities. We propose the following edits:

- a. For business combinations, ~~and combinations accounted for by~~ **not-for-profit entities and combinations** ~~transactions~~ between entities under common control,

Amendments to Subtopic 280-10

We agree with the proposed edits.

Amendments to Subtopic 440-10

We agree with the proposed edits.

Amendments to Subtopic 470-10

We generally agree with the amendments proposed to ASC 470-10-50-6, but we believe the guidance should clarify whether the disclosures described in ASC 470-10-50-6(a) and 50-6(b) can be disclosed on a combined basis or must be disclosed separately. We understand that the intention was for these to be disclosed separately. In addition, depending on the terms of the agreement, lines of credit that support commercial paper borrowing arrangements could permit short-term or long-term financings. As a result, we believe this disclosure should be listed separately in subparagraph (c). Our suggested edits are as follows:

An entity shall separately disclose the following in the notes to financial statements:

- a. The amount and terms (including commitment fees and the conditions under which commitments may be withdrawn) of unused commitments for long-term financing arrangements.
- b. The amount and terms (including commitment fees and the conditions under which lines may be withdrawn) of unused lines of credit for short-term financing.
- c. The amount of ~~these~~ lines of credit that support commercial paper borrowing arrangements or similar arrangements ~~shall be disclosed separately~~.

Amendments to Subtopic 505-10

We agree with the proposed edits.

Amendments to Subtopic 805-50

We believe this disclosure requirement is relevant only to PBEs and likely is not applicable to private companies that do not issue financial statements during interim periods. Should entities be required to produce supplemental disclosures of the separate results of combined entities for periods prior to the combination, it is unclear whether the Board intends for preparers to prepare separate financial statements for each of the individual entities that are to be combined. Furthermore, if the supplemental disclosure is required, it is unclear if the Board intended to require disclosure in the footnotes indicating that such separate statements include intercompany activity at the individual entity level that would not be eliminated in consolidation. If separate statements are to be issued for the combining entities, it is important to consider that this information might not have been audited historically at the lower level due to materiality assessments made when planning and executing such audits, and may result in additional costs to preparers.



Amendments to Subtopic 810-10

Regulation S-X Rule 3A-03(b) indicates that disclosure of entities newly included in or excluded from consolidated financial statements is required if they have a material effect on the financial statements. While the general presumption is that US GAAP requires disclosure for items that are deemed to be material, we recommend that the Board specify that disclosure is required for a “material change” in the composition of the underlying legal entities. We considered a situation in which a literal read of the disclosure requirement by a large multinational entity undergoing a significant legal entity reorganization without giving effect to materiality might result in the disclosure of numerous immaterial legal entities when there has been a change. Further, we considered whether the proposed disclosure requirement would provide decision-useful information to users of a non-PBE’s financial statements and are unclear whether the benefits would outweigh the costs. We believe that preparers are best suited to address whether the disclosure requirement will impose incremental costs for entities other than PBEs.

Amendments to Subtopic 815-10

ASC 815-10-50-8B states: "An entity shall disclose where in the statement of cash flows derivative financial instruments, and *their related gains and losses*, are reported. [emphasis added]" We are not clear as to the meaning of “their related gains and losses.” Since derivative instruments are reported at fair value, gains and losses on derivatives can be unrealized (i.e., they are changes in fair value) and not always associated with a cash flow in the current period. In addition, when a derivative settles and the cash flow occurs, the cash flow may relate to gains and losses from the current period, prior periods, or both. We suggest the following amendments to the proposed guidance:

An entity shall disclose where ~~in the statement of cash flows derivative financial instruments~~ (including any cash flows relating to, and their related gains and losses, if applicable) are reported in the statement of cash flows.

Amendments to Subtopic 830-10

We are unclear what the FASB is conveying in its proposed amendment to ASC 830-30-05-1. The amendment indicates that a reporting entity is able to report its financial statements in a currency other than its functional currency. This statement appears to suggest that an entity could report in any currency, which does not appear to be consistent with the discussion in BC25 and BC26 of the proposed ASU. As described in SEC FRM 6640, Rule 3-20 generally requires US incorporated registrants to present their financial statements in US dollars. In limited instances, we have noted that the SEC staff has not objected to the use of a different reporting currency. However, the reporting currency selected was the same as the functional currency.

ASC 830-10-45-11 states: “The financial statements of a foreign entity *or a reporting entity* in a highly inflationary economy shall be remeasured as if the functional currency were the reporting currency. [emphasis added]” When a foreign entity is in a highly inflationary economy, the functional currency of that foreign entity is the reporting currency of that foreign entity’s parent. For example, if a company based in the US with a US dollar functional currency (the reporting entity) is the parent of an entity in Country X (the foreign entity) and that economy is deemed highly inflationary, then the functional currency of the Country X foreign entity is the US dollar. If, however, the parent company is a Country X entity (the reporting entity) and that entity has a subsidiary based in the US (the foreign entity) and that foreign entity has a US dollar functional currency, it is unclear as to what the functional currency of the reporting entity (the Country X entity) should be.

We believe this guidance should be clarified.



Amendments to Subtopic 830-20

We agree with the proposed edits.

Amendments to Subtopic 830-30

We agree with the proposed edits.

Amendments to Subtopic 850-10

We agree that the proposed amendment to ASC 850-10-50-4A would not apply to entities other than PBEs. However, we believe that the proposed guidance in ASC 850-10-50-4A directly contradicts the guidance in ASC 850-10-50-1. ASC 850-10-50-4A states that any profits or losses resulting from transactions with other entities in the consolidated or combined financial statements and the effects of those transactions shall be disclosed. Whereas, ASC 850-10-50-1 states that disclosure of transactions that are eliminated in the preparation of consolidated or combined financial statements is not required in those statements. We suggest the FASB clarify ASC 850-10-50-4A in order to be consistent with existing guidance.

Amendments to Subtopic 860-30

We generally agree with the proposed edits, but have the following comments:

ASC 860-30-45-2 states “Liabilities, *including accrued interest*, incurred by either the secured party or obligor in securities borrowing or resale transactions shall be separately classified. [emphasis added]” Requiring accrued interest to be presented in the same line seems inconsistent with the recent decisions made on receivables and securities in Issue 1A: *Accrued Interest* in Accounting Standards Update No. 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging and Topic 825, Financial Instruments*. We recommend making no changes to ASC 860-30-45-2.

ASC 860-30-55-4, Example 2, includes disclosure of a weighted average interest rate by maturity bucket. It is not clear whether the weighted average interest rate is required to be disclosed by maturity bucket or if this is simply an illustration of what may be done. The guidance would not seem to require it. If it is the Board’s intention to require disclosure of the weighted average interest rate by maturity bucket, we believe the guidance in ASC 860-30-50-7 should be amended to require it.

Amendments to Subtopic 932-235

We agree with the proposed edits.

Amendments to Subtopic 946-20

We agree with the proposed edits.

Amendments to Subtopic 974-10

We agree with the proposed edits.