



The Association of
Accountants and
Financial Professionals
in Business

July 2, 2019

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

Re: File Reference No. 2019-600, Proposed Accounting Standards Update (ASU), *Disclosure Improvements – Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*

Dear Mr. Kuhaneck:

The Financial Reporting Committee (FRC) and the Small Business Committee (SBC) of the Institute of Management Accountants (IMA) are writing to share their views on the Financial Accounting Standards Board’s (FASB or Board) Exposure Draft of a Proposed ASU, *Disclosure Improvements – Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative* (Proposed ASU).

The IMA is a global association representing over 130,000 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).

The SBC addresses issues that impact small and medium-sized organizations. On behalf of IMA’s members, the SBC engages and suggests solutions to standard-setters and regulatory agencies such as the FASB, SEC, International Accounting Standards Board, Small Business Administration, American Bankers Association, Internal Revenue Service, and others. Additional information on the SBC can be found at www.imanet.org (About IMA, Advocacy, Small Business Committee).

While the FRC encouraged the SEC to refer the disclosures in Section III.E. of its Proposed Rule, *Disclosure Update and Simplifications*, to the FASB in a comment letter dated October 28, 2016, we had hoped the FASB would take the opportunity to only include disclosures that are consistent with the disclosure framework and are important to users. However, the Board did not describe how the proposed disclosures fit within the disclosure framework and what information users will obtain to assist them in understanding the financial condition, results of operations and cash flows of the reporting entity. Accordingly, we do not support the proposed amendments in the Proposed ASU.

Rather than allowing reporting entities to eliminate disclosures that are substantially overlapping, resulting in streamlining information provided to users and reducing the cost of preparing financial statements, the



proposed amendments may impose potentially significant costs on smaller reporting companies (SRCs) who are not presently required to make certain of the proposed disclosures and private companies by requiring them to develop processes and controls to provide appropriate governance over such disclosures, in addition to increasing audit fees for auditing the new disclosures and testing controls. Further, non-SRCs also may incur significant costs developing processes and controls to incorporate information that is presently disclosed outside of the financial statements into the notes to the financial statements and to disclose information that is not presently disclosed because such information is not material or does not exceed the thresholds provided in the SEC's rules and regulations. We do not believe the benefit provided by the disclosures justifies the costs imposed, particularly to SRCs and private companies.

We are not aware of any users who have requested the proposed disclosures and the Proposed ASU does not identify any requests by users for the proposed disclosures. In addition, while we agree it would be useful for disclosures by public business entities and other than public business entities to be the same, the Board previously decided that there were reasons for disclosure differences between the two types of reporting entities and has not adequately explained why this set of proposed disclosures should be the same for those entities. Finally, we do not understand how the changes will make the Codification easier to apply when the Board is simply incorporating the disclosures required by the SEC into the Codification. That will not be the case for private companies, and it is not clear that it will help public companies, who already provide the required disclosures, if material.

If the Board decides to finalize the Proposed ASU, we would encourage it to address the following issues.

- The Proposed ASU requires several of the proposed disclosures be provided in interim financial statements. As the FRC has noted in prior comment letters, we do not believe disclosure in an interim period should be required if there is not a significant change from the prior annual period. Requiring disclosure of matters that are substantially unchanged from the prior annual period will primarily serve to add costs to reporting on interim periods.
- It is unclear why the proposed disclosure in paragraph 3(c) of ASC 805-50-50 is needed. If the entities merged were under common control, the historical financial statements are changed to reflect the financial condition and results of operations as if the entities had always been merged. We do not see the benefit in requiring the reporting entity to also report the separate results of the merged entities for the pre-merger period provides to users.
- Please clarify the changes proposed to Topic 830. Is the Board intending to prohibit convenience translations, which we understand are usually prepared by converting assets, liabilities, income and expense from the reporting (and functional) currency into a different currency (i.e., USD) using the exchange rate at the date of the financial statement and are intended to improve the understanding of the reported amounts by users outside of the reporting entity's country? Is the Board intending, by the proposed amendment to paragraph 3 of ASC 830-10-15, that a reporting entity who provides a convenience translation change the amount of the foreign currency transaction gains or losses reported in the financial statements based on the currency selected for the convenience translation? If not, it would be helpful if the Board clarified its intent with the proposed amendment. Similarly, is the Board intending, by the proposed amendment to paragraph 12 of ASC 830-30-45, that a reporting entity who provides a convenience translation recompute the currency translation adjustment using the currency selected for the convenience translation? If that is not the Board's intent, it would be helpful if the final standard made the Board's intent clearer.



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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".

Nancy J. Schroeder, CPA
Chair, Financial Reporting Committee
Institute of Management Accountants
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A handwritten signature in blue ink that reads "Heather Bain".

Heather Bain, CPA, MBA, CMA
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