

July 8, 2019

File reference #2019-600
FASB
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via e-mail: director@fasb.org

Re: Proposed ASU 2019-600: “Disclosure Improvements – Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative”

Dear Technical Director:

The Accounting Principles and Auditing Standards Committee (the “Committee”) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced proposed ASU. The FICPA has more than 19,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 19 members, of whom 48% are from local or regional firms, 16% are from large multi-office firms, 21% are sole practitioners, 5% are in international firms, 5% are in education, and 5% in industry. The Committee has the following comments related to the questions numbered below:

1. The Committee agrees with the amendments to the FASB Accounting Standards Codification (the “Codification”) in the proposed Update principally, as such amendments would improve consistency between public and other-than-public business entities, which would benefit users of other-than-public business entity financial statements and may reduce costs if a nonpublic entity decides to become a public entity.
2. The Committee believes the amendments provide additional decision-useful information or clarification that aligns the Codification with the related SEC S-X and S-K guidance. Furthermore, certain amendments require the information to be presented on an interim basis, which increases the decision-usefulness of such information. However, the Committee has comments on the following amendments:
 - ASC 440-10-50-1 – Commitments – Overall: General
Comment: The Committee believes clarification is needed regarding the basis (i.e fair value, book value, etc.) of determining the approximate amounts of assets mortgaged, pledged, or otherwise subject to lien and the related collateralized liabilities, especially if such assets and liabilities are mortgaged or pledged at a consolidated subsidiary level.
 - ASC 470-10-50-6 – Debt – Overall: Unused Commitments and Lines of Credit
Comment: The Committee believes clarification is needed regarding whether the disclosure of the weighted-average interest rate on short-term borrowings outstanding would include the effects of any hedging activities on such borrowings (e.g. variable-to-fixed interest rate hedge).

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- ASC 805-50-50-3 – Business Combinations – Related Issues: Transactions Between Entities Under Common Control

Comment: For the sake of other-than-public entities for whom such disclosure was not previously required, the Committee believes clarification on the periods to present prior to the combination and an illustrative example of the presentation of the such supplemental information would be beneficial.

- ASC 810-10-50-1C – Consolidation – Overall: Changes in Consolidated or Combined Entities

Comment: The Committee believes clarification should be provided regarding the level of disclosure is required. For example, if there is a change in the legal entities included in the financial statements, and such entity is a holding company with numerous consolidated subsidiaries which are also individually legal entities, what would be the appropriate level of disclosure?

Comment: The Committee believes clarification should be provided for the term “material.” Does this term imply a threshold related to revenues, total assets, or some other measure?

Comment: The Committee believes that for other-than public entities, including the actual name of the entity does not provide incremental decision-usefulness to the disclosure and that, instead, the “red flag” approach would be more appropriate if the user needs to know the identity of the entity consolidated/deconsolidated.

- ASC 815-10-50-8B – Derivatives and Hedging Overall: Statement of Cash Flows Classification

Comment: For the sake of other-than-public entities for whom such disclosure was not previously required, the Committee believes an illustrative example of the presentation of derivative instruments, and their related gains and losses, within the operating, investing, and financing activities of the statement of cash flows would be beneficial.

- ASC 974-10-50 – Real Estate- Real Estate Trusts Overall

Comment: The Committee believes more guidance should be provided in ASC 974 with regard to the primary sources of income that can potentially be distributed from a REIT (similar to guidance provided in ASC 946), which would add to the decision-usefulness of the requirement to disclose the tax status of such distributions.

3. The Committee believes that for other-than-public entities, the proposed disclosure requirements are operable and auditable (i.e. auditable in conjunction with the annual financial statements, not interim financial statements).
4. The Committee believes that for other-than public entities, none of the proposed disclosure requirements would impose significant incremental costs. The Committee acknowledges that the Board received feedback from members of the Private Company Council (PCC) who are preparers and users of financial statements, and that such PCC members, in general, supported incorporating the majority of the proposed amendments into the Codification.

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5. The Committee agrees with the proposed scope of not applying the proposed amendment to paragraph 850-10-50-4A to other-than public entities. Furthermore, the Committee agrees with the PCC that ASC Topic 850 currently provides sufficient related party disclosures for users of other-than public entities’ financial statements and that the “red-flag” approach would be appropriate if more information is required by the user. Finally, the Committee agrees that the cost of providing the required disclosures under the proposed amendment would exceed the benefits derived by other-than public entities.
6. The Committee believes the proposed disclosure requirement would not impose incremental costs for other-than public entities as such entities would have the names of any newly consolidated or deconsolidated entities.
7. The Committee believes the proposed amendments be applied prospectively to financial statements issued after the effective date. In most instances, the proposed amendments affect the financial statement disclosures only and do not have an impact on the financial position, results of operations, or cash flows of the entity. Thus, prospective application seems appropriate.
8. The Committee believes early adoption should be permitted. However, for certain proposed amendments discussed above, other-than public entities may need more time than public entities to implement the required disclosures as public entities have previously been required to disclose the information.
9. The Committee believes more clarification should be provided related to the referred disclosures in Regulation S-X and Regulation S-K that are to be “eliminated” by the SEC. However, the Committee believes that the proposed amendments should be finalized in the Codification even if the SEC does not eliminate the referred disclosure requirements in Regulation S-X and Regulation S-K.
10. The Committee agrees with the Board’s decision not to propose amendments to the Codification for certain referred disclosures. The Committee concurs with the Board’s Basis of Conclusions for not proposing each of such amendments.

The Committee appreciates this opportunity to respond to the proposed accounting standards update. Member of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Allan Franklin, CPA, CFE
Chairman

Committee members coordinating this response:

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