

July 19, 2019

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*

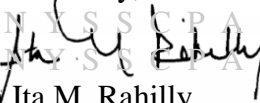
(File Reference No. 2019-710)

Dear Ms. Cospers:

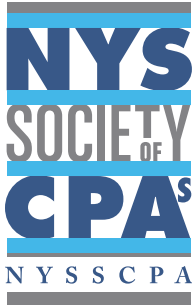
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 24,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Jeffrey A. Keene, Chair of the Financial Accounting Standards Committee, at (732) 750-0900, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Ita M. Rahilly
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS UPDATE—*CODIFICATION*
*IMPROVEMENTS TO TOPIC 326, FINANCIAL INSTRUMENTS—CREDIT LOSSES***

(File Reference No. 2019-710)

July 19, 2019

Principal Drafters

**Jeffrey A. Keene
John J. McEnerney
Sean C. Prince
Margaret A. Wood**

NYSSCPA 2019–2020 Board of Directors

Ita M. Rahilly, <i>President</i>	Darcy Aldous	Jennifer A. Kartychak
Edward L. Arcara, <i>President-elect</i>	Dennis N. Annarumma	Gerard J. LoVerde
Kevin Matz, <i>Secretary/Treasurer</i>	Carnet A. Brown	Patricia A. McGrath
Barbara E. Bel, <i>Vice President</i>	Rumbidzai Bwerinofa- Petrozzello	Mitchell J. Mertz
Joseph A. Maffia, <i>Vice President</i>	Kelly R. Capron	Candice R. Meth
Renee Rampulla, <i>Vice President</i>	Catherine Censullo	Michael E. Milisits
Denise M. Stefano, <i>Vice President</i>	Anthony S. Chan	Steven M. Morse
Joanne S. Barry, <i>ex officio</i>	William H. Dresnack	Maria L. Petrollese
	Mark L. Farber	Jennifer Pickett
	Lynne M. Fuentes	Thomas S. Pirro
	Timothy J. Hammond	Janeen F. Schran
	Elliot L. Hendler	Maria E. Suppa
	Jan C. Herringer	Mark M. Ulrich
	Douglas L. Hoffman	Liren Wei
	Kimberly G. Johnson	Charles J. Weintraub
		David G. Young

NYSSCPA 2019–2020 Accounting and Auditing Oversight Committee

Renee Mikalopas-Cassidy, <i>Chair</i>	Stephanie Gigliotti	Robert M. Rollmann
Margaret A. Wood, <i>Vice Chair</i>	Diane L. Jules	Lenore Sanchez
Jennifer L. Biundo	Jeffrey A. Keene	William M. Stocker III
Jennifer R. George	Ilene L. Persoff	Jonathan Zuckerman
	Rita M. Piazza	

NYSSCPA 2019–2020 Financial Accounting Standards Committee

Jeffrey A. Keene, <i>Chair</i>	Fred R. Goldstein	Pedro D. Pile
Agwu Agwu	Mukul Gupta	Richard M. Posen
Brian M. Aledort	Emily D. Hache	Laura C. Prevratil
Olga Bashkatova	Abraham E. Haspel	Sean C. Prince
Christina K. Catalina	Orumé A. Hays	Robert M. Rollmann
Ramona Cedeno	Jean-Pierre Henderson	Troy P. Segar
Sara C. D'Agostino	Edward P. Ichart	Ahmed Shaik
Muneeb Danish	Min Jung Kang	Daniel Shea
Timothy P. Demetres	Michael D. Kasperski	Mark Springer
J. Roger Donohue	Angela V. Katehis	A’Isha Torrence
Deepak K. Doshi	Mueed KumandanChi Lam	Ross A. Trapani
William Epstein	Joseph A. Maffia	Joshua D. Verni
Roseanne T. Farley	Sean Martell	Priyanka K. Vig
Sharon Sabba Fierstein	Sean D. Matthews	Rosemarie E. Whyte
Christopher Gagliardi	John J. McEnerney	Margaret A. Wood
John F. Georger Jr.	Lingyun Ou	Yan Zhang
Jo Ann Golden	Michael A. Pesce	

NYSSCPA Staff

Keith Lazarus
Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Codification Improvements to Topic 326, Financial Instruments—Credit Losses*

We welcome the opportunity to respond to the Financial Accounting Standards Board’s (FASB or the Board) invitation to comment on Proposed Accounting Standards Update—*Codification Improvements to Topic 326, Financial Instruments—Credit Losses* (proposed Update).

General Comments

We are supportive of the improvements offered in this proposed Update.

Specific Comments

Our responses to the Questions for Respondents are presented below.

General Questions

Question 1: Should other changes be made that are directly or indirectly related to amendments in this proposed Update? Please note that the Board will conduct Codification improvement projects on a periodic basis and additional changes may be postponed to a subsequent Codification improvement project.

Response: We do not believe other changes should be made related to amendments in this proposed Update.

Question 2: The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

Response: We do not believe any of the proposed amendments require special consideration for nonpublic entities.

Issue 1: Negative Allowance for Purchased Financial Assets with Credit Deterioration (PCD assets)

Question 3: Should an entity be permitted to record a negative allowance (basis recovery) when measuring the allowance for credit losses for purchased financial assets with credit deterioration?

Response: An entity should be permitted to record a negative allowance (basis recovery) when measuring the allowance for credit losses for purchased financial assets with credit deterioration. We appreciate the explanation of a negative allowance.

Question 4: Should a negative allowance (basis recovery) for PCD assets be limited to the amortized cost basis previously written off and expected to be written off by the entity? If not, please explain why and what changes should be made instead.

Response: The negative allowance (basis recovery) for PCD assets should be limited to the amortized cost basis previously written off and expected to be written off by the entity. However, we would encourage the Board to include an illustrative example in any final ASU to help preparers better understand how to apply the expected recoveries guidance in situations where an unamortized noncredit discount or premium exists.

Question 5: Should the recognition of a negative allowance (basis recovery) be extended to available-for-sale (AFS) debt securities? Please explain why and what changes, if any, should be made instead.

Response: The recognition of a negative allowance should not be extended to debt securities classified as available for sale. Paragraphs BC11-12 in the proposal provide the rationale.

Issue 2: Transition Relief for Troubled Debt Restructurings (TDRs)

Question 6: Should an entity be permitted to adjust the effective interest rate on existing TDRs using prepayment assumptions on the date of adoption of Topic 326 rather than the prepayment assumptions in effect immediately before the restructuring? If not, please explain why and what changes, if any, should be made instead.

Response: An entity should be permitted to adjust the effective interest rate on existing TDRs using prepayment assumptions as of the date of adoption of Topic 326 rather than the prepayment assumptions in effect immediately before the restructuring.

Issue 3: Disclosures Related to Accrued Interest Receivables

Question 7: Will the proposed amendment to permit an election of a practical expedient to disclose the total amount of accrued interest receivables separately from other components of amortized cost basis for certain disclosure requirements simplify and reduce operational concerns when implementing the guidance in Update 2016-13?

Response: We believe the proposed amendment to provide a practical expedient to disclose the total amount of accrued interest receivables separately from other components of amortized cost basis for certain disclosure requirements will simplify and reduce operational concerns when implementing the guidance in Update 2016-13.

Issue 4: Financial Assets Secured by Collateral Maintenance Provisions

Question 8: Do you support the proposed amendments to clarify the application of the collateral maintenance practical expedient in accordance with paragraph 326-20-35-6? If not, please explain why and what changes, if any, should be made instead.

Response: We support the proposed amendments to clarify the application of the collateral maintenance practical expedient.

Transition and Effective Date

Question 9: Will the proposed effective dates provide sufficient time for entities to implement the proposed amendments? If not, please explain why and how much time would be needed to adopt the proposed amendments.

Response: The proposed effective dates provide sufficient time for entities to implement the proposed amendments, provided that the standard will be finalized shortly for those adopting in fiscal years beginning after December 15, 2019.

Question 10: Do you support the proposed transition method and transition disclosures when adopting the proposed amendments? If not, please explain why and what transition method and disclosure changes should be required instead.

Response: We support the proposed transition method and transition disclosures.