July 19, 2019

Ms. Susan M. Cosper
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. Cosper:

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

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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

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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.