

July 22, 2019

Technical Director
File Reference No. 2019-710
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted via email to director@fasb.org

Re: *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee has reviewed the proposed Exposure Draft (ED), *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*, issued by the Financial Accounting Standards Board (the Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 13,000 individual members who actively work in public accounting, private industry, government and education. We acknowledge that the Board has issued the ED in an effort to increase stakeholder awareness to this particular topic as a part of its ongoing Codification Improvements project. The VSCPA appreciates the work the Board has undertaken on this effort and the opportunity to respond to the ED.

The VSCPA offers the following comments related to the "Questions for Respondents" section of the ED:

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 improvements projects on a periodic basis and additional changes may be postponed to a subsequent Codification improvements project.

We do not feel that the Board needs to make additional changes related to the amendments included 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?

We feel that the Board does not need to consider any special consideration for nonpublic entities.

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?

We feel that entities should be permitted to record a negative allowance (basis recovery) when measuring the allowance for credit losses.

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.

We feel that 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. We also further agree with the New York State Society of CPAs (NYSSCPA) that the Board be encouraged 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 extend to available-for-sale (AFS) debt securities? Please explain why and what changes, if any, should be made instead.

We feel that the recognition of a negative allowance should not be extended to AFS debt securities. We agree with the Board that the difference in impairment methodologies between amortized cost basis financial assets and AFS debt securities would require the Board to consider aligning those methodologies, which is outside the scope of this proposed update.

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.

We feel that an entity should be permitted to adjust the effective interest rate on existing TDRs using prepayment assumptions on the date of adoption of Topic 326.

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?

We feel that 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 will simplify and reduce operational concerns when implementing the guidance in Update 2016-13.

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.

We support the proposed amendments.

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.

The proposed effective dates provide sufficient time for entities to implement the proposed amendments.

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.

We support both the proposed transition method and transition disclosures.

Again, the VSCPA appreciates the opportunity to respond to this ED. Please direct any questions or concerns to VSCPA Vice President, Advocacy Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Bo Garner, CPA
Chair

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