

From: Alpesh Shah <shaha1939@gmail.com>
Sent: Sunday, August 18, 2019 3:56 PM
To: Director - FASB <director@fasb.org>
Subject: Convertible Instruments and contracts in an entity's own equity - proposed changes

Hello:

The following are my personal views as a CPA.

Convertible Instruments

Question 1: Should convertible instruments be accounted for as a single unit of account, except in circumstances in which the conversion features are required to be bifurcated by guidance in Topic 815? Please explain why or why not. Under this simplification, would any specific information about convertible instruments be missing in order to understand an entity's financial position and financial performance? If so, please explain what information would be missing and how that information is used.

AS Comment: The proposed changes in this area absolutely make sense. The guidance in this area at this point requires a significant professional judgment while evaluating accounting models from a public company perspective (less complexities noted with private entities). Therefore, uniformity all across will be helpful to a greater extent possible. If this is not practically feasible, separate and specific but simplified provisions and considerations from public and private entities accounting perspective will be very helpful.

Question 2: Do the disclosure amendments in this proposed Update for convertible debt instruments in paragraphs 470-20-50-1A through 50-1I and for convertible preferred stock in paragraphs 505-10-50-12 through 50-18 provide decision-useful information? Should any of these disclosures be required for every annual and interim period for which a statement of financial position and a statement of financial performance are presented? Should any other disclosures for convertible instruments be required? Please explain why or why not.

AS comment: Yes, the proposed disclosure requirements are appropriate. From public company accounting perspective, annual and interim period update will definitely be useful. For private entities financial statements, annual update will be considered reasonable. Proposed changes to the disclosure requirements appear adequate and sensible.

Derivatives Scope Exception for Contracts in an Entity's Own Equity

Question 3 to 9: **AS comment:** This section often results in tremendous investment of time and efforts considering complexities of provisions involved. I completely agree with all proposed changes. If FASB can further clarify what is considered "Remote" and provide a specific or a measurable "remote threshold or conditions" will be helpful to avoid any confusion from accounting perspective. Also simplification of the settlement, reassessment and disclosure provisions is welcoming as these areas also require significant judgment under the current guidance which most of the filers consider complex and time consuming and less of a value-add from their decision making/business operations perspective.

EPS

Question 10: Should diluted EPS for all convertible instruments be calculated using the if-converted method of diluted EPS? Is the revision to the if-converted method in paragraph 260-10-45-40(b) operable? Please explain why or why not. **AS Comment:** Yes, if –converted method is definitely feasible

and simple. This will make the accounting judgment and related conclusion less complex. Removal of treasury stock method is reasonable and appropriate.

Question 11: For a contract that may be settled in either cash or shares (except for certain share-based payment arrangements that are classified as liabilities), should an entity presume (and not be allowed to overcome the presumption) share settlement when calculating diluted EPS? Please explain why or why not. **AS comment: Yes, uniformity in consideration of share settlement presumption will simplify the diluted EPS calculation process. From business operations and decision making perspective, most of the filers (especially smaller reporting companies) believe that this does not impact their business operations and decision making process significantly.**

Question 12: Should the Board consider a project about the effect of antidilutive instruments on the diluted EPS calculation (for example, the effect of call options used to offset the potential dilution from convertible instruments)? Should any other EPS improvements be considered? If yes, please provide details.

AS comment: The numerator and denominator adjustment provisions from EPS calculation perspective should be simplified and clarified further. In other words, how differences in financial statement classification of equity or liability instruments impact the treatment for EPS (computation) purposes.

Transition and Effective Date

Question 13: Should the proposed amendments that affect classification, recognition, and measurement be applied on a modified retrospective basis, with an option for full retrospective application? Do you agree with the Board's proposed transition expedient? Please explain why or why not. **AS comment: The proposed amendment is reasonable as it will provide the Company an option to choose appropriate method of transition considering their business operations.**

Question 14: Should the proposed amendments to EPS be applied as of the initial date of adoption for the transition from treasury stock method to if-converted method and applied retrospectively for instruments that may be settled in cash or shares? Please explain why or why not. **AS comment: Yes the proposed change makes sense in conjunction with all proposed changes recommended at this point.**

Question 15: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? Please explain your response. **AS Comment: The proposed amendments implementation timing should be similar for both private and public entities as this accounting standard is typically complex and may require much more time for public filers than the private entities. Early adoption should not be permitted in this area to bring in consistencies all across.**

Overall

Question 16: The proposed amendments would affect all entities that issue convertible instruments and/or contracts in an entity's own equity. Are there any specific private company considerations, in the context of applying the Private Company Decision Making Framework, that the Board should be aware of? **AS Comment: Certain provisions of FASB ASC 470 and 815 that typically applies to publicly traded companies may not be fully applicable to private entities in order to distinguish between liability vs. equity instruments. Considering this aspect, if any specific demarcation is made between what provisions apply strictly or typically to public filers from accounting determination and conclusion**

perspective will be very helpful. This will simplify the private entities accounting consideration under the guidance.

Question 17: The proposed amendments would supersede various areas of guidance (such as the guidance on certain accounting models for convertible instruments). Do you expect that superseding that guidance will result in any unintended consequences? For example, is there guidance that is currently analogized in practice to account for transactions for which there is no explicit guidance under current GAAP? Please explain what those unintended consequences are and potential solutions, if applicable.

AS comment: The proposed amendments to reduce number of accounting models and enhancing disclosure requirements would simplify and reduce efforts from accounting determination and conclusion perspective rather than creating further burden or any unintended adverse consequences.

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