

September 16, 2019

Submitted via email: [director@fasb.org](mailto:director@fasb.org)  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

File Reference No. 2019-750

Dear Technical Director:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MOCPA) appreciates the opportunity to respond to certain matters in the Proposed Accounting Standards Update. The views expressed herein are written on behalf of the TIG of the MOCPA. The TIG has been authorized by the MOCPA Board of Directors to submit comments on matters of interest to the society's membership.

We believe the proposed delay of effective dates and the proposed philosophy for extending and simplifying the staggering of effective dates is an improvement over the existing required effective dates and delayed effective date philosophy. Many private companies (PCs) and smaller reporting companies (SRCs) need time to digest the impact of the updates indicated in an exposure draft and may lack the resources to implement a new standard. Allowing these entities additional time provides their respective management with the ability to observe the larger public companies who have the necessary resources and expertise to implement a new standard sooner. In addition, the proposed two-bucket approach will eliminate confusion by some entities as to whether they meet the definition of a public business entity that was utilized in the prior approach to setting effective dates.

As discussed in our response to Question 1 attached, we believe that the Board should further consider whether the existing definition of a Securities and Exchange Commission (SEC) Filer is the appropriate basis for determining the two buckets for the delayed effective dates. We believe that certain entities, such as those that file with the SEC under Regulation A Tier II, as well as those Broker-Dealers and certain investment companies, that furnish financial statements to the SEC would be grouped with larger public companies in Bucket One. An outcome that groups these entities that are generally smaller, have fewer resources, and have less investor interest than SRCs in Bucket One would serve to penalize these entities relative to SRCs.

The appendix to this letter includes our responses to the questions for respondents raised in the Proposed Accounting Standards Update. Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about any of the following comments. Please direct any questions to Mark Winiarski, TIG Chairman, [MWiniarski@CBIZ.com](mailto:MWiniarski@CBIZ.com).

Sincerely,



Mark Winiarski, CPA  
TIG Chairman



Robert A. Singer, CPA  
TIG Member

**Question 1:** Is the two-bucket approach described and applied in this Update understandable? If not, please explain why.

**Response:** The two-bucket approach is understandable and easy to apply; however, we believe it needs improvement. Based on the existing definition in US GAAP for a Securities and Exchange Commission (SEC) Filer a Regulation A Tier II filer, Broker-Dealers, and certain investment companies would meet the definition of an SEC Filer. These entities would be SEC Filers because they are required to file or furnish financial statements to the SEC. We believe it is inappropriate to provide a deferred effective date to SRCs and not to these entities, which are generally significantly smaller, have fewer resources, and typically have less investor interest than SRCs. We request the Board consider re-defining which entities qualify for Bucket One in the two-bucket approach. This may be done by changing the definition of an SEC Filer, adding additional exceptions to the definition of an SEC Filer, or creating a new definition to use for purposes of the two-bucket approach. We would further advise the Board that we do not know the potential unintended consequence of changing the definition of an SEC Filer in US GAAP and, therefore, do not recommend such a change as a solution to this issue.

If the update were issued final as currently proposed, we recommend that the Board include examples or guidance for entities that may elect to file or furnish financial statements with the SEC. For example, an entity that would otherwise qualify as a Regulation A Tier I entity may elect to be Regulation A Tier II and have elected to be required to file financial statements with the SEC. Would such an entity be included in Bucket One?

**Question 2:** Should the population of SEC filers that are afforded a delayed effective date (that is, excluded from bucket one) be entities eligible to be SRCs as defined by the SEC? If not, what definitional threshold, if any, do you suggest and why?

**Response:** We believe that the criteria provided by the SEC regarding the eligibility of entities to be classified as SRCs, and thereby affording the entities a delayed effective date under US GAAP, provides the necessary clarity and guidance that will allow them to determine whether they qualify for the proposed two-year extension. We believe the proposed approach also eliminates the potential time sensitive need to update US GAAP when the SEC has a change to the definitions or thresholds it utilizes.

**Question 3:** Should the determination of whether an entity is eligible to be an SRC be based on its most recent determination in accordance with SEC regulations as of the date that a final Update is issued? If not, what determination date should be applied?

**Response:** As indicated in BC 13 of the exposure draft, a change between the time a determination is made resulting in an SRC classification and the effective date that the standard must be implemented could occur rendering the entity no longer an SRC, and vice versa. Although linking the most recent determination of the entity's SRC status with the date the final update is issued removes any uncertainty regarding such classification, it poses challenges.

There are times the Board sequences the adoption of accounting standard updates in a particular order because of the way in which they interact with each other or with prior

guidance. In addition, at times accounting standards updates are issued to make corrections to an accounting standard. The corrective updates may occur between the adoption dates for Bucket One and Bucket Two entities. Additionally, the proposed approach could also confuse users of the financial statements because the adoption of accounting standards may be inconsistent or unusual for an entity that recently graduated from being an SRC.

One example of how this might be an issue is to imagine an entity that was an SRC when ASU 2015-14 *Revenues from Contracts with Customers (Topic 606): Deferral of the Effective Date* was issued, but was no longer an SRC when ASU 2016-02 – *Leases (Topic 842)* was issued. In this scenario, had the two-year deferral been in place for Topic 606, how would the entity and investor interpret and apply the results of adopting Topic 842 for a lessor prior to Topic 606? Such a scenario could result in confusing or misleading financial statements. We believe there are two approaches to addressing these issues:

1) Maintain the determination of SRC as proposed as general guidance, but develop a plan and standard wording to be used to address when the applicable Accounting Standard Update is to be adopted when an entity transition from being an SRC (or vice versa). This approach would likely require that a question be asked in many Proposed Accounting Standards Updates regarding whether special effective date guidance is necessary for SRCs.

2) Use an effective date approach based on the most recent SRC status regardless of the SRC status at the time the final Update was issued. This approach would be similar to how changes in Emerging Growth Company (EGC) status is currently addressed. The advantage (and disadvantage) of this approach is that it puts the onus of planning for adoption on the entity instead of the accounting standard setters, who may not be able to predict and be able to craft effective guidance for every scenario that may exist. This may mean that some entities are caught unprepared for adoption of final Updates if they did not appropriately plan for their potential promotion from SRC status or lose SRC status unexpectedly.

**Question 4:** Should Credit Losses be effective for entities eligible to be SRCs, private companies, not-for-profit organizations, and employee benefit plans for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years? If not, please explain why.

**Response:** Topic 326, *Credit Losses*, is a complicated and difficult to implement reporting standard for many Bucket Two entities. Many of these entities lack the resources and necessary expertise to implement many of the nuanced and detailed provisions of this update. Extending the effective date to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years will allow these companies to observe how the large public companies (Bucket One companies) have implemented this new guidance and, in this respect, help the private companies, SRCs, and other Bucket Two entities plan the implementation of this standard more efficiently.

**Question 5:** Should Hedging be effective for all entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

**Response:** For the same reasons provided in response to Question 4, implementation of Topic 815, *Hedging and Derivatives*, would be burdensome for most Bucket Two entities. Thus we believe that extending the effective date of implementation to fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021 for these entities will provide them the necessary (but perhaps, not sufficient) time.

**Question 6:** Should Leases be effective for (a) private companies, (b) not-for-profit organizations (excluding those that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market), and (c) employee benefit plans (excluding those that file or furnish financial statements with or to the SEC) for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

**Response:** For the same reasons provided in the above responses, these entities should be given the extended period with which to implement the Topic 842 leasing and related updates. The new reporting standard providing guidance to leasing parties has proven particularly vexing and costly to public business entities. In fact, many large publicly held entities are still in the process of revising their information systems and overhauling their internal controls to ensure compliance with the new standard.

In addition, we believe that the accounting profession as a whole will have difficulty in effectively implementing Topic 842 for private companies at the current effective date due to staffing challenges that have already become apparent with the pending adoption date by private companies of Topic 606.

**Question 7:** This question is for future major Updates and not the amendments in this proposed Update. Under the revised effective date philosophy, certain public business entities, including SRCs, and nonpublic business entities would have a deferred effective date. Should interim reporting be required in the same year as the annual financial statements or in the subsequent year for these entities when they provide interim financial statements?

**Response:** We believe that the revised effective date philosophy of the Board should become a formal aspect of its simplification project. Over time, changing business and economic conditions will continue to challenge the SEC, the FASB, and IASB to develop and/or improve existing reporting standards. The guidance provided in this exposure draft should be extended into other areas of financial reporting. The complexity and difficulty associated with the areas addressed in this exposure draft have led the Board to provide changes in implementation dates, and practical expedients providing entities with an election to extend effective dates. With respect to the question of when interim reporting should be required, consistency in the revised effective date philosophy would seem to dictate that interim reporting be deferred in the subsequent year rather than in the same year. Requiring the entities to prepare interim reports based on new reporting standards in the same year as the annual financial statements would seem to impose an extra burden in terms of time and cost.