

September 16, 2019

Technical Director
Financial Accounting Standards Board
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Via e-mail – director@fasb.org

Re: File Reference No. 2019-750. Proposed Accounting Standards Update: Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates

Plante & Moran, PLLC is pleased to offer comments on the above referenced Exposure Draft. We support the efforts of the Financial Accounting Standards Board (“Board”) to ease the burden on private companies, not-for-profit organizations, and smaller public companies associated with adopting these major new accounting standards. Many of the clients that we serve are private companies and smaller public companies who experience many of the challenges the Board has identified as magnifying the difficulties of adopting new standards.

We believe the philosophy the Board has developed in this proposed Update appropriately responds to many of the challenges faced by smaller entities when adopting new accounting standards. As these challenges impact entities in situations beyond just the “major Updates,” we believe the Board should give consideration to applying the new two-bucket philosophy to all future Updates where certain entities are provided with a delayed effective date. In our experience, there are a significant number of entities that qualify as public business entities, especially private companies and not-for-profit entities that are conduit bond obligors, that experience the challenges identified by the Board in this proposed Update and would benefit from being eligible for a delayed effective date for new accounting standards. Under the delayed effective date approach used historically, these entities would not be provided with the benefit of a delayed effective date. However, under the proposed two-bucket philosophy, these types of public business entities would gain relief through a delayed effective date on new accounting standards.

Following, please find our responses to the specific Questions for Respondents in the proposed Update.

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

Response 1: Yes. We believe the two-bucket approach described and applied in the Update is practical and understandable.

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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 2: Yes. We agree that using the SRC threshold is appropriate for determining which SEC registrants should be eligible for a delayed effective date.

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 3: Yes. We agree that using the most recent determination date of whether an entity is eligible to be an SRC as of the date the final Update is issued is appropriate. We agree with the Board's decision to use a fixed determination date for identifying entities that qualify as an SRC; knowing the effective date at the time of issuance is a key component for entities developing successful implementation plans. We also believe that if the Board plans to allow SRC's to be eligible to use a delayed effective date, it will be important to specifically include that determination date in the final Update so that entities know the implementation date of the new standard at the time of issuance.

However, if the Board concludes that the determination of whether an entity qualifies as an SRC is fixed at the issuance date, we suggest considering whether all entities that meet the requirements for a delayed effective date at issuance automatically get to utilize the delayed effective date. Otherwise, there could be situations where companies in similar situations are being treated differently as illustrated in the scenarios below.

Scenario A

At the issuance date an entity is an SEC filer that as of the most recent determination date qualifies as an SRC. The following year the entity's market capitalization increases such that it no longer qualifies as an SRC. In this scenario, the entity would still qualify for the delayed effective date.

Scenario B

At the issuance date an entity is a nonpublic company. The following year, the entity goes through an IPO and becomes an SEC filer. Based on the amount raised in the IPO, the company does not qualify as an SRC. In this scenario, the entity would not qualify for the delayed effective date, despite the fact that it qualified as of the date the final Update was issued.

In the scenarios above, both entities originally qualified for the deferred effective date, and in the year after issuance of the Update they would be an SEC filer that does not qualify as an SRC. However, effective dates would be different. We suggest the Board evaluate scenarios such as those above to determine if the Board believes both entities should continue to qualify for the delayed effective date.

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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 4: Yes. We agree with the proposed effective date.

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 5: Yes. We agree with the proposed effective dates.

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 6: Yes. We agree with the proposed effective dates.

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 7: No. We do not believe interim reporting should be required in the year of adoption for entities that qualify for deferred effective dates. The revised effective date philosophy is a reflection that for certain Updates, smaller public companies, nonpublic companies, and not-for-profit organizations require additional time to implement the Updates. If the Board were to begin requiring these entities to adopt the Updates during interim periods in the year of adoption, it would effectively result in these entities only receiving an additional three months of time to implement these standards.

Thank you again for the opportunity to comment on this exposure draft. We would be pleased to respond to any questions the Board or its staff may have about these comments. Please direct any questions to David Grubb at david.grubb@plantemoran.com or at (248) 223-3745 or Curt Hurd at curt.hurd@plantemoran.com or at (248) 223-3946.

Very truly yours,

PLANTE & MORAN, PLLC