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Massachusetts Society of CPAs®

September 16, 2018

Financial Accounting Standards Board
Technical Director, File Reference No 2019-750
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to: Director@fasb.org

RE: EXPOSURE DRAFT AUGUST 15, 2019 - PROPOSED ACCOUNTING STATEMENTS UPDATE – FINANCIAL INSTRUMENTS – CREDIT LOSSES (TOPIC 326) – DERIVATIVES AND HEDGING (TOPIC 815) AND LEASES (TOPIC 842) – EFFECTIVE DATES

Ladies and Gentlemen:

The Accounting Principles and Auditing Procedures Committee ("Committee") is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes as well as members in both industry and academia. The majority of the members of the Committee primarily serve small and medium sized clients. The Committee has reviewed and discussed the above-mentioned Exposure Draft. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the Organizations with which the Committee members are affiliated.

First the Committee thanks the FASB for the opportunity to comment on this Exposure Draft.

The Committee has reviewed the Exposure Draft as detailed above. The Committee is overall supportive of the work of the FASB.

The members of the Committee mainly are preparers, auditors and advisors to small and medium sized entities. Some members as stated above are members in academia

General Comments

The Committee is in favor of the Exposure Draft and strongly recommends that the two bucket approach and the delayed effective dates for each bucket set forth in the Exposure Draft be adopted.

The Committee also is in favor of the new effective dates of the Credit Losses, Hedging and Lease Standards.

The Committee members as mentioned above perform services for mainly small and medium sized entities. We as accounting practitioners encounter that these clients do not have the

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resources or knowledge or both to evaluate and implement accounting standard on their own. These client in many cases depend on the education and guidance provided by us as the accounting experts. The financial statements that these entities require are prepared by us as nonattest services under independence rules.

The Committee strongly agrees with the two bucket approach to standard implementation.

The Committee members and most other accounting professional who work with small and medium sized entities do not have the resources and/or knowledge base that the large public accounting firm have. Many times the members review how the large accounting firms have implemented standards, presented those standards in the financial statements and how they have disclosed those Standards in the notes to the financial statements of publicly traded entities subject to SEC filings. From this review the members gain knowledge and guidance of how to implement, present and disclose standards

Preparers in preparing financial statements for small and medium sized entities have adopted presentation methods including wording presented in the financial statements put together by large accounting firms in preparing their client's financial statements.

Members believe strongly that a two year period after initial implementation by SEC filers will be an advantage for small and medium sized entities. During the two year period members can not only review the first year statements presented by bucket one entities but can then further review how these statements were refined in the second year from lessons learned in year one.

Further during the two year period there can be opportunity for education of and marshalling of resources by accounting practitioners and their small and medium sized client to gain a full understanding of any complex standard. The Committee realizes that not all standard changes should require a two year delay period but major changes such as the Revenue Recognition and Lease Standards should warrant the two year delay.

With regard to the effective dates of the three standards in the Exposure Draft the Committee believes that more time is needed for educational and information gathering purposes in order to implement the standards properly. The main recent focus by practitioner and their clients has been on implementation of the Revenue Recognition standard. There needs to be more time between the implementation of the Revenue Recognition standard and the Lease standard.

A deferral will give preparers the time needed to transition to the new standards, develop accounting policies, design internal controls, and implement any new required systems or processes. The deferral is particularly important for preparers since the effects of implementing the new accounting standards may extend beyond financial reporting and involve many aspects of an entity's operation. In addition, the Committee believes that the additional time will extend the opportunity for the accounting professionals to learn from public companies' implementation efforts as detailed above under our recommendation of the two bucket approach.

See the Committee answers on page three thru five for greater clarity on the above.

Response to Specific Questions

Question 1:

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

Response

Yes the Committee believe the definition is clear and understandable. See our comments above on this matter

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

The Committee is in agreement with including SRCs as bucket two entities in the delayed effective dates.

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

The Committee is in agreement with basing the most recent determination in classifying that an entity is an SRC in accordance with SEC regulations as set forth in the exposure draft.

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

The Committee is in agreement with the proposed effective date of fiscal years beginning after December 15, 2022 for the bucket two entities.

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

The Committee is agreement with the proposed effective date for Hedging implementation as proposed in the Exposure Draft.

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

The Committee is agreement with the proposed effective date for Lease implementation as proposed in the Exposure Draft.

As stated under our general comments the Committee members believe more time is needed. More time is needed to educate entities on the standard, for entities to identify their leases and for entities to determine how to classify the identified leases properly. Once that is completed the entities need additional time to determine how to present and disclose these leases in their financial statements.

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

The Committee would prefer interim reporting to be effective in the same year as the annual financial statements. To be effective in the following year the Committee believe would result in non-comparability of the interim information to the annual information. If not implemented in the interim period in the same period as the annual statements the Committee believes the interim period would not represent a proper presentation of the interim results and could result in potentially improper decisions by users.

Thank you for allowing us the opportunity to comment on this exposure draft.

Philip B. Pacino, CPA, Chairman
Accounting Principles and
Auditing Procedures Committee
Massachusetts Society of Certified Public Accountants