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September 16, 2019

Mr. Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update, *Effective Dates* (File Reference No. 2019-750)

Dear Mr. Kuhaneck:

We appreciate the opportunity to comment on the proposed ASU, *Effective Dates*. We agree with the Board that certain entities encounter challenges when transitioning to a major standard and believe that the Board has appropriately identified those challenges in the basis for conclusions.

We encourage the Board to continue to determine the transition dates for new standards (including delayed effective dates for certain entities) on a case-by-case basis. In making such determination, we believe the Board should weigh (1) the anticipated level of effort required for preparers to transition to a new standard, (2) the anticipated level of effort required for preparers to transition to other pending standards and (3) the cost to users inherent in having multiple standards on an individual accounting topic concurrently effective for different entities.

While the Board is proposing a new philosophy/framework for determining effective dates for major standards, we would encourage the Board to also consider developing a new philosophy/framework for transition provisions for major standards. In considering such a framework, we believe the Board should consider and weigh the cost of excessive complexity and lack of comparability due to a large number of transition alternatives against the benefits that may be derived. In general, we believe there presumptively should be few or limited transition alternatives for any given standard because the benefits of simplicity, consistency and comparability would generally outweigh the costs.

Our recommendations and responses to select Questions for Respondents are included in the Appendix to this letter. We believe preparers and users are best able to comment on the Questions to Respondents to which we have not responded – specifically those addressing which population of entities should be afforded a delayed effective date and, if so, what the delayed effective dates should be.

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If you have questions about our comments or wish to discuss the matters addressed in this comment letter, please contact Kimber Bascom at (212) 909-5664 or kbascom@kpmg.com, or Mark Northan at (212) 954-6927 or mnorthan@kpmg.com.

Sincerely,

KPMG LLP

KPMG LLP

Appendix – Responses to Selected Questions for Respondents

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

We believe that the application of the two-bucket approach described in the Update is clear in most circumstances. However, we recommend that the Board clarify how the guidance would be applied by an entity that becomes an SEC issuer as a result of an initial public offering after the issuance of the final Update. If that entity was, as of the date of the initial public offering, eligible to be a smaller reporting company it is not clear how the guidance in the proposed ASU would be applied. As BC12 points out, an entity must be an issuer as defined by the SEC to be eligible to be a smaller reporting company. As a result, because the proposed ASU would require that the determination of whether an entity is eligible to be a smaller reporting company be based on its most recent assessment *prior* to the issuance of the proposed ASU, it is not clear whether an entity that became an SEC issuer (and specifically a smaller reporting company) as a result of an initial public offering *after* the issuance of the final Update would be eligible for the deferral. We recommend the ASU clarify that the eligibility determination for newly public companies be based on an entity's assessment¹ in its initial registration statement. This would make clear that a newly public company, that qualifies as a smaller reporting company in its initial registration statement that is effective after the issuance date of the final Update, would be permitted to transition to the new accounting standard using the delayed effective dates.

In addition, when new standards are issued with effective date provisions that require an entity to determine whether it was a smaller reporting company as of the date of issuance of the final Update, we recommend that the Board make the precise issuance date clear in the final Update.

¹ Rule 10(f)(1)(ii) of Regulation S-K