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December 26, 2019

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

File Reference No. 2019-800

Dear Mr. Kuhaneck:

RSM US LLP is pleased to provide feedback on the proposed Accounting Standards Update (ASU), *Codification Improvements*. We are generally supportive of the proposed amendments but believe certain amendments could result in substantive changes to the application of existing guidance as elaborated on in our responses to the specific questions raised in the proposed ASU that follow.

Responses to Questions for Respondents

Question 1: *Do you agree with the amendments to the Codification in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.*

We are not in agreement with the proposed amendment to paragraph 805-20-25-2 that indicates that the definition of liabilities is broader than legal obligations. As noted in our response to Question 3 that follows, we believe this amendment could result in a substantive and likely unintended change in how the guidance is applied. Additionally, we believe that further refinement of the proposed wording for paragraph 946-720-25-2 is warranted. As currently phrased in the excerpt that follows, it indicates that the benefits, rather than the expenditure, should be expensed.

> *946-720-25-2 Benefits expected from the expenditures paid by an investment adviser in connection with the distribution of shares of a fund in circumstances in which the investment adviser does not receive both 12b-1 fees and contingent deferred sales fees shall be expensed as incurred.*

Question 2: *Would any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions? If so, please describe.*

We believe the possibility exists that certain proposed amendments such as Issues 10, 37, 38 and 49 could result in substantive changes to the application of existing guidance and if so require transition provisions. Feedback obtained from reporting entities (either through this comment letter process or other outreach) should be beneficial in determining the extent to which these or other proposed amendments will result in substantive changes.

Question 3: *Would the proposed amendment to Topic 805,* Business Combinations *(Issue 10), affect your assessment of liabilities assumed in a business combination?*

The proposed changes in Issue 10 may impact the valuation of deferred revenue in a business combination. Historically, in the accounting for a business combination, deferred revenue has been valued considering the legal obligations only. The language used in paragraph 805-20-25-2 indicating that obligations are broader than legal obligations could result in a change to this practice and potentially lead to more liabilities being recognized.

Question 4: *The proposed amendments related to Issue 37 would be effective immediately. Do you have any concerns with that and, if so, why? Can you apply the guidance on a modified retrospective basis if you already have adopted the amendments in Accounting Standards Update No. 2017-08,* Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*? Do you agree with the transition disclosures? If not, please explain why.*

We believe questions regarding the effective date and feasibility of modified retrospective application are best answered by reporting entities, however we have concerns with the proposed effective date of immediately upon issuance for Issue 37 in light of the fact that entities may have interpreted and applied the guidance inconsistent with the proposed amendments, as well as inconsistent with the interpretation noted in paragraph BC12 of ASU 2017-08 (as elaborated on in our response to Question 6 that follows). We are in agreement with the transition disclosures.

Question 5: *For entities that have adopted the amendments in Accounting Standards Update No. 2016-13,* Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the proposed amendments related to Issues 38 and 49 would be effective immediately. Do you have any concerns with that and, if so, why? Do you agree with the transition disclosures? If not, please explain why.*

While we defer to reporting entities to weigh in on the sufficiency of time related to this proposed amendments, as noted in our response to Question 2, we believe the possibility exists that these amendments could result in substantive changes to the application of existing guidance. If that is the case, we believe a deferred effective date will be necessary. We are in agreement with the transition disclosures.

Question 6: *Are there other changes that should be made that are directly or indirectly related to the proposed amendments?*

Related to Issue 37, we believe it would be beneficial to further amend paragraph 310-20-35-33 to specifically indicate that instruments that are immediately prepayable do not have a preset prepayment date and are not within the scope of this guidance. (This viewpoint is stated in paragraph BC12 of ASU 2017-08 but is not evident from the guidance incorporated in Topic 310-20.) Additionally, the proposed amendments to paragraph 860-20-25-13 do not appear to have been updated for ASU 2016-01. Specifically, the paragraph is missing a reference to ASC 321 and "equity" is included in the title for Topic 320 even though it was removed with the issuance of ASU 2016-01.

Question 7: *The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?*

We are not aware of any special considerations for nonpublic entities related to these proposals. Accordingly, we agree that the proposed amendments should apply to public and nonpublic entities.

We appreciate this opportunity to provide feedback on the proposed ASU and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions regarding this letter to Rick Day at 563.888.4017 or Faye Miller at 410.246.9194.

Sincerely,

RSM US LLP

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