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December 28, 2019

Shayne Kuhaneck, Interim Technical Director
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Via Email to director@fasb.org

Re: File Reference No 2019-800

Dear Mr. Kuhaneck:

Grant Thornton LLP appreciates the opportunity to comment on *Proposed Accounting Standards Update – Codification Improvements*.

Our answers to selected questions for respondents follow. In addition, we've presented specific editorial remarks on certain content in Sections A, B, and C in the proposal, which you can view in the Appendix to this letter.

Question 1: Do you agree with the amendments to the Codification in this proposed Update?

Removing references to the Concepts Statements

We support the Board's decision to remove from the Codification references to the Concepts Statements. We agree with the Board that this will simplify stakeholders' use of the Codification by eliminating unnecessary cross-referencing to the Concepts Statements and will reduce the risk that changes to the Concepts Statements would result in changes to authoritative GAAP.

We believe that the proposed amendments should not change existing practice. However, with regard to including the definition of a liability from Concepts Statement 6 in ASC 805, please see our response to Question 3 for some additional observations.

We also support the Board's ongoing project with regard to the Concepts Statements because we believe the Concepts Statements serve a valuable purpose in the standard-setting process by providing essential guiding principles for U.S. GAAP.

(See our detailed editorial comments regarding certain issues in Section A in the Appendix to this letter.)

Including all disclosure guidance in Section 50

We agree with the Board's decision to include all disclosure guidance in Section 50 of each subtopic in the Codification. We believe this move will ensure that stakeholders have fully considered all relevant disclosure guidance.

(See our detailed editorial comments regarding certain issues in Section B in the Appendix.)

Various other Codification improvements

We agree overall with the proposed Codification improvements in Section C.

(But, see our detailed editorial comments regarding certain issues in Section C in the Appendix.)

Question 2: Would any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions?

We do not believe any of the proposed amendments would result in substantive changes to the application of existing guidance.

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

We believe the proposed amendments should not affect how we assess liabilities assumed in a business combination.

However, we believe society's general understanding socially and morally imposed duties has changed since the 1982. We believe including the definition of a liability directly in ASC 805 – rather than incorporating the very same definition by reference – should not have an impact on the application of that definition. However, it is possible that including the definition directly may give greater prominence to this element of the definition and cause stakeholders to reconsider its application.

The Board should consider such a potential when finalizing the proposed amendments.

Question 4: The proposed amendments related to Issue 37 would be effective immediately. Do you have any concerns with that? Do you agree with the transition disclosures?

We do not have any concerns with the proposed amendments in Issue 37 being effective immediately, and we agree with the proposed transition disclosures.

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Question 5: For entities that have adopted the amendments in ASU 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? Do you agree with the transition disclosures?

We do not have any concerns with the proposed amendments in Issues 38 and 49 being effective immediately, and we agree with the proposed transition disclosures.

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

We do not believe that any other changes to the proposed amendments are necessary.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Graham Dyer, Partner, at 312.602.8107 or Graham.Dyer@us.gt.com, or Ryan Brady, Partner, at 312.602.8741 or Ryan.Brady@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP

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Appendix

Editorial comments: Section A

Issue 2

The proposed revised definition of a financial instrument includes the following paragraph (proposed changes incorporated):

> Contractual rights and contractual obligations encompass both those that are conditioned on the occurrence of a specified event and those that are not. Contractual rights (contractual obligations) that are financial instruments that are assets (liabilities) in accordance with applicable GAAP may not be recognized as assets (liabilities) in financial statements—that is, they may be off-balance sheet—because they fail to meet some other criterion for recognition.

However, we believe that contractual rights (obligations) that do not meet the relevant criteria for recognition under applicable GAAP are not assets (liabilities) under applicable GAAP; therefore, this proposed definition may be confusing. Instead, we propose the following amendments:

> Contractual rights and contractual obligations encompass both those that are conditioned on the occurrence of a specified event and those that are not. Contractual rights (contractual obligations) that are financial instruments ~~that are assets (liabilities) in accordance with applicable GAAP~~ might not be recognized as assets (liabilities) in financial statements—that is, they may be off-balance sheet—because they fail to meet ~~some other~~ a relevant criterion for recognition in accordance with applicable GAAP.

Issue 5

The proposed ASU would delete the definition of *Transaction* from the Master Glossary. While we do not believe that deleting this definition would change how Topic 815 is interpreted or applied, we are concerned about unintended consequences. In particular, we find the guidance in ASC 815-20-25-13 referencing internal cost allocations helpful in applying the guidance in ASC 815. We recommend retaining the definition of *Transaction* with the following amendments:

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Transaction

An external event involving transfer of something of value (future economic benefit) between two (or more) entities. ~~(See FASB Concepts Statement No 6, Elements of Financial Statements).~~ An internal cost allocation or an event that happens within an entity is not a transaction.

Issues 8, 9 & 10

Topics 410, 420, and 805 all make reference to the definition of a liability in Concepts Statement 6. As proposed, those references to this definition would be deleted, with different language regarding the recognition of liabilities used in their place – language that does not articulate between the Topics.

For instance, proposed paragraphs 420-10-25-2 and 805-20-25-2(b) use identical language to describe liabilities, except for the following differences:

ASC 420-10-25-2

…Only present obligations to others are liabilities under the definition. An obligation becomes a present obligation when a transaction or other event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan; thus, an entity's commitment to an exit or disposal plan, by itself, is not the requisite past transaction or event for recognition of a liability.

ASC 805-20-25-2(b)

…For example, costs the acquirer expects but is not obligated to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognize those costs as part of applying the acquisition method. Instead, the acquirer recognizes those costs in its postcombination financial statements in accordance with other applicable generally accepted accounting principles (GAAP).

We believe the following content from ASC 420-10-25-2 should be in both definitions of liabilities:

Only present obligations to others are liabilities under the definition. An obligation becomes a present obligation when a transaction or other event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability.

We believe the other language cited in ASC 805-20-25-2(b) illustrates the definition, but is not part of the definition, and should be in a separate paragraph.

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Editorial Comments: Section B

Issue 21

We believe paragraph 250-10-50-12 should refer to the guidance in paragraph 250-10-45-27 regarding determining whether an error correction is material.

Issue 25, and others

The proposed amendments to paragraph 835-30-45-2 use the phrase "presented in the financial statements." In other proposed amendments, phrases such as "presented on the face of the financial statements" (for instance, see Issue 19 in ASC 220-10-50-5) or "disclosed by the reporting entity in the financial statements" (see Issue 26 in ASC 840-30-50-2) are used. We recommend using consistent phrasing throughout.

Issue 30

We recommend the following edit to proposed paragraph 946-220-45-9:

> Class-specific expenses shall be reported for each class of fund <u>either</u> in the statement of operations or disclosed in the notes to the financial statements.

Editorial Comments: Section C

Issue 33

We believe that the discussion regarding the definition of a cash balance plan in Topic 715 would benefit from the following amendments:

> **Paragraphs ASC 715-20-25-2 through 25-3**
>
> Move to Section 05 as this is background information.
>
> **ASC 715-30-55-127A**
>
> <u>An example of a cash balance plan is a plan with</u> ~~For the purposes of this Example, a cash balance plan has~~ the following characteristics:

Issue 36

We do not believe the proposed amendment accomplishes the stated purpose. We read amended paragraph 310-10-60-5 as still referring a reader to ASC 860-20 for guidance on accounting for transfers of all financial assets. If the Board believes other guidance may apply, please consider referring to that guidance as well. It is unclear to us what other guidance the Board has in mind, other than perhaps Subtopic 610-20, which applies to financial assets that are in substance nonfinancial assets, and Subtopic 810-10-40, which applies when financial assets are derecognized because a reporting entity ceases to have a controlling financial interest in a previously consolidated subsidiary.