Tel: 312-856-9100
Fax: 312-856-1379
www.bdo.com

330 North Wabash, Suite 3200
Chicago, IL 60611

May 4, 2020

Via email to director@fasb.org

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

Re: Revenue and Leases effective dates for certain entities (File Reference No. 2020-300)

Dear Mr. Kuhaneck:

We are pleased to provide comments on the Board's proposal to defer the effective date of the new revenue and leases standards for certain entities. In general, we support the Board's efforts in providing this relief as reporting entities are coping with the ever-changing effects of the COVID-19 global pandemic.

With respect to the revenue deferral, we are aware of consolidated structures that include one or more subsidiary franchisors. We recommend addressing in the final ASU whether the deferral would only apply in the franchisor's standalone financial statements or would also impact the parent's consolidated financial statements. If the parent entity (a non-franchisor) is not eligible for the adoption of ASC 606 for all of its subsidiaries, the relief provided by the deferral may be reduced. The rest of our detailed responses and suggestions to the Questions for Respondents are contained in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669 or Adam Brown at (214) 665-0673.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

Appendix

Question 1—Should the effective date of Revenue for franchisors that are not public business entities be optionally deferred to annual reporting periods beginning after December 15, 2019, and interim periods within annual reporting periods beginning after December 15, 2020? Please explain why or why not.

We agree with the optional deferral of the effective date of Revenue for nonpublic franchisors. Although we acknowledge and appreciate the FASB staff's prior efforts to work with this industry to facilitate a successful adoption of the guidance in ASC 606, we also acknowledge ongoing challenges with that adoption process. In particular, we note the impact that deferral of initial franchise fees could have on reported equity, which is in many cases the basis for certain regulatory provisions, including in some jurisdictions a requirement to enter into an escrow arrangement for a period of time, or otherwise provide additional financial support. As reporting entities are currently focused on addressing the impacts of the COVID-19 pandemic, we believe this relief will allow them to allocate their resources to other pressing matters, while providing additional time to both explore whether other cost-effective solutions can be identified, and to allow industry groups and individual franchisors to work with regulatory bodies.

We would also be pleased to participate in future dialogue with the FASB Staff on the appropriate accounting by franchisors as well as any concerns raised by the International Franchise Association or other industry groups.

Question 2—Is the scope of the Revenue deferral (franchisors that are not public business entities) clear? If not, please explain why.

We agree that the scope of the revenue deferral is clear. However, it is not clear at what level the scope should be applied. Specifically, it is not clear whether a private reporting entity which consolidates a franchisor would be eligible for the deferral, or only the franchisor subsidiary in its stand-alone financial statements. We recommend that the Board clarify its intent in this regard.

Question 3—Should Leases be effective for entities in the "all other" category (such as private companies and private NFP entities) for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022? Please explain why or why not.

We agree with the optional deferral of the effective date of Leases for entities in the "all other" category. We are aware of significant implementation issues that private entities have experienced and expect that the COVID-19 pandemic will result infewer resources to dedicate to the adoption efforts. Therefore, we believe that additional implementation time will allow these entities to effectively address those issues in a timely manner.

Question 4—Should Leases be effective for NFP entities 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 that have not yet issued financial statements for fiscal years beginning after

December 15, 2019, including interim periods within those fiscal years? Please explain why or why not.

We agree with the optional deferral of the effective date of Leases for these public NFP entities, for the same reasons stated in Question 3.

However, we also note the following discussion in BC34 of the proposal about public NFP healthcare organizations:

> "*The Board's preliminary research indicates that many public NFP healthcare organizations may be required to post interim financial information or interim financial statements to EMMA. Therefore, those organizations that post quarterly <u>financial information</u> may have already adopted Leases as of the first day of their fiscal year ending in 2020 (for example, July 1, 2019, for a public NFP with a fiscal-year end of June 30, 2020).*"

It is not clear from this discussion whether the Board believes that the provision of interim financial information via the Electronic Municipal Market Access system ("EMMA") results in the NFP having "issued financial statements or made financial statements available for issuance." We recommend that the Board consider providing clarification of its intent in the situation in which an NFP has provided such financial information.