



Massachusetts Society of CPAs®

May 5, 2020

Financial Accounting Standards Board  
Technical Director, File Reference No 2020-300  
401 Merritt 7, P.O. Box 5116  
Norwalk, CT 06856-5116

Via e-mail to: Director@fasb.org

**RE: EXPOSURE DRAFT APRIL 21, 2020 - PROPOSED ACCOUNTING STATEMENTS UPDATE –  
REVENUE FROM CONTRACTS WITH CUSTOMERS (TOPIC 606) AND LEASES (TOPIC 842) –  
EFFECTIVE DATES FOR CERTAIN ENTITIES**

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.

### General Comments

The COVID-19 pandemic and the related shelter-in-place, stay-at-home and nonessential orders issued here in Massachusetts have significantly altered the way most entities conduct their operations. The Committee thanks the FASB for its attention and proactive response to provide relief in the form of deferring the effective dates of these Topics

The Coronavirus Aid, Relief, and Economic Security (CARES) Act in the United States and other State and Local initiatives here in Massachusetts provide programs to aid small businesses and help them thru this unprecedented time. We look forward to the FASB addressing the accounting

for such programs currently not addressed in accounting standards. The Committee is dismayed by changes to accounting principles set forth in the CARES Act, including optional deferral of the effective date for FASB Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and suspension of Troubled Debt Restructuring for certain institutions. The Committee agrees that the accounting standard setting process should be set by FASB and other standard setting bodies.

The Committee expresses its strong recommendation that FASB address the accounting, including disclosure, for the Payroll Protection Loans many of the small businesses the Committee member service have received. In the absence of any guidance to date, we have put forth some tentative guidance of the accounting on this topic and will be available to share with FASB and/or the PCC.

COVID-19 is impacting all facets of the economy and the effects on financial reporting will be far-reaching. We hope the FASB will stay vigilant and pragmatic in responding to these challenges. We are encouraged by the discussions from the FASB related to relief on lease modifications and hope, when necessary and appropriate, the FASB will provide similar relief to other accounting standards.

## Response to Specific Questions

### Revenue from Contracts with Customers

#### 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 reporting periods within annual reporting periods beginning after December 15, 2020? Please explain why or why not. Question 2: Is the scope of the Revenue deferral (franchisors that are not public business entities) clear? If not, please explain why.

**Response** - The Committee is in favor of the optional deferral of Topic 606 for franchisors that are not public business entities. The Committee is aware of certain concerns that the franchising industry has raised and we believe these concerns need to be addressed. The optional deferral will allow identified franchisors the opportunity to adopt Topic 606 when these concerns are fully addressed.

The Committee believes an optional deferral of one year for all entities that have not yet reported under Topic 606 should be considered. A large portion of the “other than public business entities” that the Committee members service did not fully commence their Topic 606 adoption efforts until the end of or even after their fiscal year, and their reporting of this Standard will be negatively affected by the disruptions caused by COVID-19.

**Question 2:**

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

**Response** - We believe the scope of the Revenue deferral is clear.

**Leases**

**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.

**Response** – The Committee is in favor of an additional deferral for the identified entities. The continuing impact of pandemic is still ongoing and likely will negatively impact resources these entities have for the adoption of Topic 842.

**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.

**Response** - : the Committee believes these leases should be deferred for fiscal years beginning after December 15, 2019. Our view is that the entities described above have year-ends that are not December 31 and some of these entities may not have fully completed their adoption assessment. These entities, particularly those here on Massachusetts, are directly impacted by COVID-19 and are focusing their resources on responding to the pandemic. Additionally these entities have seen a lessening of resources provided and a greater focus on survival.

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

Very truly yours,



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