



Anchin, Block & Anchin LLP
Accountants & Advisors
1375 Broadway New York, NY 10018
212 840-3456
www.anchin.com

May 6, 2020

Via email: director@fasb.org

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

File Reference No. 2020-300

Dear Mr. Kuhaneck:

Anchin, Block & Anchin LLP is pleased to provide feedback on the proposed Accounting Standards Update (ASU), *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*.

We support the Board's effort to address perceived issues within the revenue guidance and also appreciate the efforts to address constituents' concerns in the face of the COVID-19 pandemic. Our responses to the specific questions raised in the proposed ASU follow:

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.*

We support the proposed optional deferral for private entities. This deferral would allow the FASB the opportunity to determine if cost effective alternatives would be available for this issue.

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

We believe that the scope of the proposed deferral is clear.

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.*

Anchin supports the proposed deferral of the effective date for private companies. We believe it is critical that the FASB not only hold the lease roundtable that was postponed, but increase its outreach to private companies and their stakeholders. Understanding that purpose of the original roundtable was "to address implementation issues encountered by public companies to assist private companies in their efforts and to determine whether additional practical expedients or other amendments are warranted as private companies prepare for final implementation", we believe that the focus of the roundtable should be expanded. We believe that given the crisis caused by the COVID-19 pandemic the FASB should consider an indefinite deferral of ASC 842 for private companies.

We believe that an indefinite deferral should be considered for private companies for the following reasons:

The leasing project began over a decade ago as part of the FASB's convergence initiative with the IASB. The leasing project was undertaken with the understanding that the current standard does not meet the needs of financial statement users. We believe this premise to be inaccurate for private companies and their stakeholders.

Since the Board's first exposure draft issued in 2010, and the second draft in 2013, significant developments have occurred for private companies that are noteworthy. In December of 2013 the FASB and the Private Company Council (PCC) released the Private Company Decision – Making Framework, A Guide for Evaluating Financial Accounting and Reporting for Private Companies (Guide). This framework acknowledges that private companies and their stakeholders have significant differences from the stakeholders of the issuer's community. The framework highlights differences such as, access to management, investment strategies of the primary users, accounting resources, and how private entities obtain information regarding new accounting guidance.

One of the stated purposes of the guide states *"The Guide is intended to be a tool to help the Board and the PCC identify differential information needs of users of public company financial statements and users of private company financial statements and to identify opportunities to reduce the complexity and costs of preparing financial statements in accordance with U.S. GAAP."*

As the Board is aware the majority of private companies adopted ASC 606 for their 12/31/19 Financial Statements, the adoption of this standard while largely having an immaterial impact, the adoption resulted in significant cost for private companies. It is our belief that the adoption of the lease standard will exceed the cost and effort of the revenue standard, providing little benefit to the private company stakeholders and raises questions if the standard will meet the objective of reducing complexity and cost, as outlined in the Guide.

Given these factors we encourage the FASB to work with the PCC, the AICPA Technical Issues Committee, and State Boards to discuss a permanent deferral. Anchin has served private companies and their stakeholders for over 97 years, we have experienced with our clients times of prosperity and times of challenge. These last few weeks this pandemic has presented challenges to our clients like no other, the effects of this crisis is far from certain for the financial health of many private companies.

Sincerely,



Russell Shinsky,
Co-Managing Partner

Cc: Mark Koziel
mkoziel@aicpa.org