

November 17, 2015

Susan M. Cospers, CPA
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: September 30, 2015 Exposure Draft of a Proposed Accounting Standards Update (ASU), *Effective Date and Transition Guidance, a proposal of the Private Company Council*:

- ***Intangibles—Goodwill and Other (Topic 350)***
- ***Business Combinations (Topic 805)***
- ***Consolidation (Topic 810)***
- ***Derivatives and Hedging (Topic 815)***

[File Reference No. PCC-15-01]

Dear Ms. Cospers:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 412,000 members in 144 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC is comprised of 13 members all of whom are either partners, principals or managers in small, medium-size or large public accounting firms. Although some member firms have public company clients, the individual members of TIC specialize in engagements involving private entities.

TIC has reviewed the ED and is providing the following comments for your consideration.

GENERAL COMMENTS

TIC is fully supportive of this ED, since it addresses practice issues with preferability and transition that members have encountered since the PCC alternatives were issued.

SPECIFIC COMMENTS

Question 2: *Would the proposed amendments adequately address private company stakeholder concerns, if any, about the assessment of preferability when a private company accounting alternative within the scope of this proposed Update is elected for the first time after its effective date? If not, please explain why.*

Yes. TIC originally raised this issue with the FASB staff at the July 2014 TIC meeting based on feedback TIC had received from stakeholders around preferability assessments before and after the effective date of a PCC alternative. Stakeholders have raised questions as to the substance [and requirement] of applying preferability when adopting a PCC alternative for the first time [and beyond the effective date] when PCC alternatives are perceived to be preferable.

TIC also had concerns around accounting firms providing an unrealistically high hurdle of preferability which could cause tension between preparers and practitioners and lead to undue cost and effort in adopting a PCC alternative [notwithstanding the fact that there is little guidance on assessing preferability in U.S. GAAP]. TIC believes this proposal will eliminate these questions and concerns. However, if the Board decides not to drop the stated effective dates for the applicable ASUs, then TIC believes more guidance on preferability would be necessary to clarify that a change in business circumstances could be indicative of preferability.

Question 3: *Would the proposed amendments adequately address private company stakeholder concerns, if any, about the transition guidance in Update 2014-02 [Accounting for Goodwill]? If not, please explain why.*

Yes. TIC supports the transition guidance in the current standard and believes that this relief should be made without regard to an effective date. It would seem that not offering transition relief would diminish the relief provided by the accounting alternative, as noted in paragraph BC12, and would be counterintuitive to the purpose of electing the alternative. TIC also notes that there continues to be criticisms and questions around the accounting for goodwill. Therefore, TIC does not see the purpose in requiring retrospective accounting, as TIC does not believe prospective transition diminishes the quality of the financial statements.

Question 4: *Would the proposed amendments adequately address private company stakeholder concerns, if any, about the transition guidance in Update 2014-03 [Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps]? If not, please explain why.*

Yes. In addition, TIC strongly agrees with the PCC conclusions in paragraph BC18 noting that the transition relief be available only upon the first time the company applies the transition exception under the simplified hedge accounting approach. TIC concurs with the Board's view that applying the guidance to subsequent elections could undermine hedge accounting by creating earnings management opportunities.

Question 5: *Do you agree that no additional disclosures should be required as a result of the proposed amendments? If not, please explain why.*

TIC agrees that no additional disclosures are required.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Michael A. Westervelt". The signature is written in a cursive, slightly slanted style.

Michael A. Westervelt, Chair
PCPS Technical Issues Committee
cc: PCPS Executive and Technical Issues Committees