

August 4, 2015

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

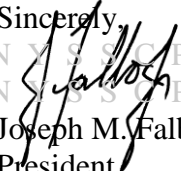
Re: Proposed Accounting Standards Update – Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting

(File Reference No. 2015-280)

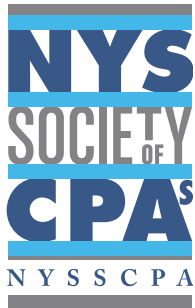
Dear Ms. Cospers:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Craig T. Goodman, Chair of the Financial Accounting Standards Committee at (212) 303-1058, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Joseph M. Falbo, Jr.
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON
PROPOSED ACCOUNTING STANDARDS UPDATE – INVESTMENTS—EQUITY
METHOD AND JOINT VENTURES (TOPIC 323): SIMPLIFYING THE EQUITY
METHOD OF ACCOUNTING**

(File Reference No. 2015-280)

August 4, 2015

Principal Drafters

**Jo Ann Golden
Renee Rampulla
Margaret A. Wood**

NYSSCPA 2015 – 2016 Board of Directors

Joseph M. Falbo, <i>President</i>	Scott M. Adair	Mitchell J. Mertz
F. Michael Zovistoski, <i>President-elect</i>	Jeffrey F. Allen	Michael E. Milisits
John Lauchert, <i>Secretary/Treasurer</i>	Edward L. Arcara	Jacqueline E. Miller
Christopher G. Cahill, <i>Vice President</i>	Paul E. Becht	Barbara L. Montour
Jennifer R. George, <i>Vice President</i>	Jack M. Carr	Iralma Pozo
Stephen T. Surace, <i>Vice President</i>	Anthony S. Chan	M. Jacob Renick
Michael M. Todres, <i>Vice President</i>	John F. Craven	Warren Ruppel
Joanne S. Barry, <i>ex officio</i>	Rosemarie Giovinazzo- Barnickel	Steven A. Stanek
	Elizabeth A. Haynie	Denise M. Stefano
	Elliot L. Hendler	Janeen F. Sutryk
	Jan C. Herringer	Tracy D. Tarsio
	Patricia A. Johnson	Mark Ulrich
	Jean G. Joseph	Beth Van Bladel
	Barbara A. Marino	Mark Weg
	Kevin Matz	David J. Wojnas
		David G. Young

NYSSCPA 2015 – 2016 Accounting & Auditing Oversight Committee

Jan C. Herringer, <i>Chair</i>	Lourdes Eyer	Rita M. Piazza
Robert M. Rollmann, <i>Vice Chair</i>	Craig T. Goodman	William M. Stocker III
Charles Abraham	Adam S. Lilling	Steven Wolpow
Matthew T. Clohessy	Renee Mikalopas-Cassidy	

NYSSCPA 2015 – 2016 Financial Accounting Standards Committee

Craig T. Goodman, <i>Chair</i>	Fred R. Goldstein	Joseph Montero
Agwu Agwu	Abraham E. Haspel	Denise Moritz
Brian M. Aledort	Edward P. Ichart	Lingyun Ou
Kenneth W. Bosin	Tamar Kadosh	Pedro D. Pile
Christina Catalina	Min Jung Kang	Richard M. Posen
J. Roger Donohue	Michael D. Kasperski	Renee Rampulla
Deepak K. Doshi	Angela V. Katehis	Robert M. Rollmann
Robert A. Dyson	Kevin Lee	Ahmed Shaik
William Epstein	Joseph A. Maffia	Daniel Shea
Roseanne T. Farley	Sean Martell	Mark Springer
Sharon Sabba Fierstein	Sean Matthews	Margaret A. Wood
Jo Ann Golden	John J. McEnerney	

NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update – Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting

(File Reference No. 2015-280)

General Comments

We are pleased to respond to the Financial Accounting Standards Board’s (the Board) invitation to comment on the Proposed Accounting Standards Update – *Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting* (Proposal or Proposed ASU). We appreciate the Board’s continued efforts to identify, evaluate, and improve areas of generally accepted accounting principles to reduce complexity and cost. We look forward to commenting on future proposed Accounting Standard Updates resulting from the Simplification Initiative.

Specific Comments

Question 1: Should accounting for the basis difference of equity method investments as if the investment were a consolidated subsidiary be eliminated? Why or why not? Would amortization of the entire basis difference through equity method earnings be preferable? If so, what would be the suggested amortization period?

Response: Overall, we agree with the Proposed ASU and appreciate the Board’s effort to simplify the initial and ongoing accounting for an equity method investment. However, we have concerns that the Proposed ASU may cause certain unintended consequences. For example, by eliminating the accounting for basis differences, the likelihood of other-than-temporary impairment of the equity investment may increase thereby increasing the cost, complexity and frequency of the testing for impairment. Although we do not believe that amortization of the entire basis difference through equity method earnings would be preferable, we believe that the Board should revisit the identification and measurement of other-than-temporary impairment guidance in FAS ASC Topic 323-10-35-31 through 32A, and consider expanding the guidance to address when fair value is impractical to estimate or the information is not readily available to perform a fair value assessment and measurement. We also suggest that the Board consider referencing FAS ASC Topic 320-10-35-27 for impairment indicators. When there is a change in control of an investee’s equity method investment, complexities may arise involving the application of the fair value measurement and, if elected, the pushdown method of accounting. We suggest that the Board consider addressing these issues as well.

Question 2: Should the accounting for capitalized interest, which adds to the basis of an entity's equity method investment and is amortized, also be eliminated for equity method investments? Why or why not?

Response: We agree that the accounting for capitalized interest should be eliminated for equity method investments.

Question 3: Should an entity be required to apply the proposed amendments related to accounting for the basis difference on a modified prospective basis as of the effective date? Why or why not?

Response: We agree with the Board's Proposal to account for the basis difference on a modified prospective basis because it will simplify the application of the guidance.

Question 4: Should an entity no longer be required to retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest? Why or why not?

Response: We agree with the Board's Proposal to eliminate the requirement to apply the equity method of accounting retroactively to an investment that qualifies for use of the equity method as a result of an increased level of ownership.

Question 5: Should the proposed guidance to eliminate the requirement to retroactively adopt the equity method of accounting be applied prospectively? Why or why not?

Response: We agree that the proposed equity method of accounting should be applied prospectively and that the guidance in the overall Proposed ASU should be applied prospectively upon adoption.

Question 6: How much time will be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Response: Adequate time is needed to adopt the amendments in this Proposal including educating the users, stakeholders and preparers of the financial statements and changing and documenting any systems or processes necessary to accommodate this change. We believe that the Proposal should be adopted at the beginning of a fiscal year (such as fiscal years beginning on or after December 15, 2016). Early adoption should be permitted if an entity's financial statements for the most recent annual/interim period have not been issued or are not yet available to be issued at the time the final standard is released. There should be no differences between public business entities and entities other than public business entities in the adoption of this Proposed ASU.

Question 7: Would the proposed amendments meet the objective of the Simplification Initiative, which is to improve GAAP by reducing cost and complexity while maintaining or

improving the usefulness of the information provided to users of financial statements? Why or why not?

Response: Please refer to our responses to Questions 1 and 3.