

August 23, 2019

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* (a consensus of the Emerging Issues Task Force)

(File Reference No. 2019-740)

Dear Mr. Kuhaneck:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 24,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

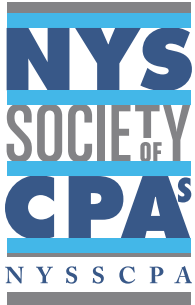
The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Jeffrey A. Keene, Chair of the Financial Accounting Standards Committee, at (732) 750-0900, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, appearing to read "Ita M. Rahilly". The signature is written over a faint, semi-transparent watermark of the NYSSCPA logo.

Ita M. Rahilly
President

Attachment



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

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS UPDATE—*INVESTMENTS—EQUITY
SECURITIES (TOPIC 321), INVESTMENTS—EQUITY METHOD AND JOINT
VENTURES (TOPIC 323), AND DERIVATIVES AND HEDGING (TOPIC 815):
CLARIFYING THE INTERACTIONS BETWEEN TOPIC 321, TOPIC 323,
AND TOPIC 815***

(a consensus of the Emerging Issues Task Force)

(File Reference No. 2019-740)

August 23, 2019

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John J. McEnerney
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Robert Rollmann
Margaret A. Wood**

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* (a consensus of the Emerging Issues Task Force)

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on Proposed Accounting Standards Update—*Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815* (proposed Update).

General Comments

The adoption of Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* has created questions on how the guidance in Topic 321 interacts with the guidance in Topic 323 and Topic 815. We support the proposed clarifications in the proposed Update.

Specific Comments

Our responses to the Questions for Respondents are presented below.

Question 1: Should an entity consider observable transactions that would require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative under Topic 321 immediately before or upon discontinuing the equity method? Please explain why or why not.

Response: An entity should consider observable transactions immediately before applying or immediately after discontinuing the equity method of accounting. As noted in the proposed Update's Basis for Conclusions, this outcome is consistent with the accounting for equity securities with readily determinable fair values and would provide users with the most decision-useful information.

Question 2: Should an entity consider whether the underlying securities for certain forward contracts or purchased options would, individually or with existing investments, be accounted for under the equity method upon settlement of the forward contract or exercise of the purchased option for purposes of applying Topic 815? Please explain why or why not.

Response: An entity should not consider whether the underlying securities for certain forward contracts or purchased options would, individually or with existing investments, be accounted for

under the equity method upon settlement of the forward contract or exercise of the purchased option for purposes of applying Topic 815. Until settled or exercised, such forward contracts or purchased options do not represent voting privileges and therefore do not yet represent the ability to apply significant influence to the investee. Further, requiring entities to evaluate such contracts for possible application of the equity method of accounting would create additional challenges, including how to measure influence when considering all outstanding equity derivatives, convertible instruments, and stock options of the investee.

Question 3: Are the amendments in the proposed Update operable? If not, please explain why you disagree and what changes, if any, should be made instead.

Response: We believe the amendments in the proposed Update are operable.

Question 4: The proposed amendments would apply to all entities. Would any of the proposed amendments require special consideration for entities other than public business entities? If so, which proposed amendment(s) would require special consideration and why?

Response: We do not believe special consideration for entities other than public business entities is necessary.

Question 5: Do you support the proposed transition method and transition disclosures when adopting the proposed amendments? If not, please explain why and what transition method and disclosures should be required instead.

Response: We support the proposed transition method and transition disclosures.

Question 6: How much time would be needed to implement the proposed amendments? Do entities other than public business entities need additional time to apply the proposed amendments? Should early adoption be permitted?

Response: We do not believe that significant time is required to implement the proposed amendments.

Early adoption should be permitted, but not before the adoption of ASU 2016-01.