NYS SOCIETY OF CPA's
NYSSCPA

September 13, 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—*Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*

(File Reference No. 2019-750)

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,

Ita M. Rahilly
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*FINANCIAL INSTRUMENTS—CREDIT LOSSES (TOPIC 326), DERIVATIVES AND HEDGING (TOPIC 815), AND LEASES (TOPIC 842): EFFECTIVE DATES*

(File Reference No. 2019-750)

September 13, 2019

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*

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—*Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* (proposed Update).

General Comments

We agree with the FASB's recognition that extension of the effective dates of these significant accounting standards is necessary and appropriate. We also agree with the FASB's proposed "two-bucket" approach. However, as described in our response to Question 2, we believe bucket one should only include all SEC filers designated as Large Accelerated Filers and Accelerated Filers versus all SEC filers (in both cases, excluding those also identified as a smaller reporting company (SRC)).

Further, we agree with the FASB's proposed direction to allow more time for "bucket two" entities to implement major standards. A key benefit of this approach is it allows these entities to learn from the implementation of the larger "bucket one" entities.

Specific Comments

Our responses to the Questions for Respondents are presented below.

Question 1: Is the two-bucket approach described and applied in this Update understandable? If not, please explain why.

Response: The two-bucket approach in this Update is understandable.

Question 2: Should the population of SEC filers that are afforded a delayed effective date (that is, excluded from bucket one) be entities eligible to be SRCs as defined by the SEC? If not, what definitional threshold, if any, do you suggest and why?

Response: We agree with the FASB's intent, as described in the Basis for Conclusions, to apply standards to larger SEC filers first. Under the proposed definition, bucket one consists of all SEC filers except those designated as smaller reporting companies (SRC). We note that SEC filers include both entities subject to the Securities Exchange Act of 1934 as well as certain other entities, including broker dealers and registered investment advisors that only are required to file or furnish their financial statements with the SEC (non-registrants). We further observe that, often, these non-registrant entities may have the same or fewer resources than entities that qualify as SRCs. We believe these non-registrant entities should be afforded the same relief as SRCs.

The definition of bucket one should be revised to only include SEC filers that are designated as Large Accelerated Filers and Accelerated Filers, except for those that are also designated as an SRC. This better aligns the entities within bucket one that would be subject to the earliest effective dates with the entities most likely to have the resources to respond timely to the changes caused by the new accounting standards.

Question 3: Should the determination of whether an entity is eligible to be an SRC be based on its most recent determination in accordance with SEC regulations as of the date that a final Update is issued? If not, what determination date should be applied?

Response: The determination of whether an entity is eligible to be an SRC should be based on its most recent determination in accordance with SEC regulation as of the date that a final Update is issued. We suggest providing implementation guidance to address circumstances when a final Update is issued in a year that the entity's designation changes.

Question 4: Should Credit Losses be effective for entities eligible to be SRCs, private companies, not-for-profit organizations, and employee benefit plans for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years? If not, please explain why.

Response: We agree with the proposed deferral of the effective date for Credit Losses as described in this proposed Update.

Question 5: Should Hedging be effective for all entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

Response: We agree with the proposed deferral of the effective date for Hedging as described in this proposed Update.

Question 6: Should Leases be effective for (a) private companies, (b) not-for-profit organizations (excluding those 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), and (c) employee benefit plans (excluding those that file or furnish financial statements with or to the SEC) for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.

Response: We agree with the proposed deferral of the effective date for Leases as described in this proposed Update.

Question 7: This question is for future major Updates and not the amendments in this proposed Update. Under the revised effective date philosophy, certain public business entities, including SRCs, and nonpublic business entities would have a deferred effective date. Should interim reporting be required in the same year as the annual financial statements or in the subsequent year for these entities when they provide interim financial statements?

Response: The implementation guidance on interim financial statements should remain the same as it currently stands. That is, public business entities should apply Updates to interim periods within the year of adoption and nonpublic business entities should apply Updates to interim periods in the year subsequent to the year of adoption. We acknowledge this would result in bifurcating bucket two between public business entities and other than public business entities. However, we believe it is appropriate for the public business entities within bucket two, including SRCs, to apply Updates at the beginning of the year of adoption in order to avoid confusion and disruption when comparing quarterly results in the year of adoption with the adjustment that would otherwise occur in Q4 if public business entities were permitted to adopt Updates for interim financial statements in the year following adoption.