March 4, 2021

Ms. Hillary H. Salo
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—*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*

(File Reference No. 2020-1000)

Dear Ms. Salo:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 CPAs in public practice, industry, 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,

Edward L. Arcara
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*BUSINESS COMBINATIONS (TOPIC 805): ACCOUNTING FOR CONTRACT ASSETS AND CONTRACT LIABILITIES FROM CONTRACTS WITH CUSTOMERS*

(File Reference No. 2020-1000)

March 4, 2021

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*

(File Reference No. 2020-1000)

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—*Intangibles—Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (proposed Update). We appreciate the Board's objective to provide clarity in this area and offer our responses to the Questions for Respondents below.

Questions for Respondents

Question 1: Should an entity be required to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606? If not, please explain why and what alternative would be more appropriate.

Response: We agree that an entity should recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The Board's proposed approach will significantly simplify the accounting for acquired contracts with customers by providing an exception to the fair value measurement principle for acquired assets and assumed liabilities. In addition, it will facilitate an easier comparison of both pre-acquisition and post-acquisition revenues and cash flows arising from contracts subject to the principles in Topic 606.

Question 2: Is the recognition guidance in the proposed amendments understandable and operable? If not, please explain why.

Response: We believe the recognition guidance in the proposed amendments is understandable and operable.

Question 3: Is the measurement guidance in the proposed amendments understandable and operable? If not, please explain why.

Response: We believe the measurement guidance in the proposed amendments is understandable and operable. We expect that in most cases, the proposed measurement guidance will result in the acquirer entities recognizing contract asset and contract liabilities in the amount such items were measured in the acquiree's pre-acquisition financial statements.

Question 4: The proposed amendments would not amend the existing guidance for other assets or liabilities that may arise from revenue contracts from customers in a business combination, such as customer-related intangible assets and contract-based intangible assets. Is the existing guidance on customer-related intangible assets and contract-based intangible assets, such as contracts with off-market terms, understandable and operable under the proposed amendments? If not, please explain why and what additional guidance would be necessary to make it operable.

Response: We believe the existing guidance on customer-related intangible assets and contract-based intangible assets, such as contracts with off-market terms, are understandable and operable under the proposed amendments. We do not believe the proposed amendments will impact the valuation models used to measure such items.

Question 5: If the recognition or measurement guidance in the proposed amendments is inoperable or is overly burdensome, are there any practical expedients that should be considered?

Response: Since we believe the recognition and measurement guidance in the proposed amendments is operable and not burdensome, no practical expedients should be considered.

Question 6: Would the proposed amendments result in financial reporting outcomes that are appropriate and meaningful for users of financial statements? Please explain why or why not.

Response: We expect that in the deliberation process, the Board will obtain sufficient and appropriate user input. At a minimum, we believe the proposed approach results in greater consistency between the reporting of pre-acquisition and post-acquisition cash flows and revenues, which will improve users' ability to forecast such amounts.

Question 7: The scope of the proposed amendments would include contract assets and contract liabilities from other contracts that apply the provisions of Topic 606, such as contract liabilities from the sale of nonfinancial assets within the scope of Subtopic 610-20. Should the proposed amendments be applied to contracts beyond contracts with customers that also are accounted for in accordance with Topic 606? If not, please explain why.

Response: We believe the proposed amendments should be applied to contracts beyond contracts with customers that also are accounted for in accordance with Topic 606, including the sale of nonfinancial assets within the scope of Subtopic 610-20.

Question 8: The proposed amendments would require no incremental disclosures. Should other disclosures be required; for example, are additional disclosures needed that would provide investors with the information necessary to distinguish between acquired revenue contracts and originated revenue contracts? If yes, please explain why and provide the additional disclosures that should be required.

Response: We do not believe disclosures incremental to those required by Topic 606 and Topic 610-20 are required.

Question 9: Should the proposed amendments be applied on a prospective basis? If not, what transition method would be more appropriate and why?

Response: We agree that the proposed amendments should be applied on a prospective basis.

Question 10: How much time would be needed to implement the proposed amendments? Should entities other than public business entities be provided with an additional year to implement the proposed amendments? Please explain why or why not.

Response: We believe the incremental time to apply the proposed amendments should not be significant beyond the effort required by the acquiring entity to evaluate and assess the nature of the contracts acquired. Further, we believe an additional year for entities other than public business entities to implement the proposed amendments is appropriate.

Question 11: Is the early application requirement appropriate as proposed, or should an entity not be required to apply the proposed amendments to all prior business combinations that occurred since the beginning of the annual period if the proposed amendments are applied in an interim period? Please explain why or why not.

Response: We believe the early application requirement is appropriate as proposed.

Question 12: IFRS Standards on business combinations contain guidance similar to what is currently in Topic 805. The proposed amendments would create a difference between IFRS Standards and Topic 805 for measuring contract assets and contract liabilities acquired in a business combination. Would differences in that area of the guidance create additional costs or complexity for entities or users of financial statements? Please explain why or why not.

Response: We note that an increasing number of entities have reporting obligations under both IFRS and US GAAP. A difference between standards will increase costs and complexities for such entities. However, we believe the impact from the differences will generally resolve over a short period of time, typically within the first or second annual reporting period after the acquisition.