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March 28, 2016

Via email to director@fasb.org

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

Re: Classification of Certain Cash Receipts and Cash Payments (File Reference No. EITF-15F)

Dear Ms. Cosper:

We are pleased to provide comments to the Board's proposal to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. We support the Board's objective to promote consistency, simplicity, and practicality in the cash flow statement.

We generally agree with the proposed solutions to the specific cash flow issues identified in the exposure draft. We also believe certain clarifications will be necessary in the final amendments, as elaborated in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Angela Newell at (214) 689-5669.

Very truly yours,

BDO USA, LLP

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Appendix

Question 1: Should cash payments for debt prepayment or extinguishment costs be classified as cash outflows for financing activities? If not, what classification is more appropriate and why?

We agree with the proposed classification of cash flows.

Question 2: Should the cash payment made at the settlement of a zero-coupon bond be separated and classified as follows: the portion of the cash payment attributable to the accreted interest as cash outflows for operating activities, and the portion of the cash payment attributable to the principal as cash outflows for financing activities? If not, what classification is more appropriate and why?

We agree with the proposed classification of cash flows.

Question 3: Should cash payments made by an acquirer that are not paid soon after a business combination for the settlement of a contingent consideration liability be separated and classified as follows: the payments, or portion of the payments, up to the amount of the contingent consideration liability recognized at the acquisition date as cash outflows for financing activities, and the payments, or portion of the payments, that exceed the amount of the contingent consideration liability recognized at the acquisition date as cash outflows for operating activities? If not, what classification is more appropriate and why?

We note that the concept of "soon after" is not defined in the proposed amendments, nor is it explained further in the basis for conclusions. As such, we anticipate reporting entities will interpret the concept differently. To prevent diversity in practice, we recommend removing this concept from the final guidance.

If the Board retains the concept, we recommend clarifying it, together with practical examples of payments that occur soon after a business combination. In this context, are practitioners to understand "soon after" to generally be interpreted as a period of three months or less? Further, in the basis for conclusions, we suggest linking the concept to paragraph 230-10-45-13(c) that indicates "payments at the time of purchase or soon before or after purchase to acquire property, plant, and equipment and other productive assets" are considered investment activities.

Lastly, although less common than earnouts, we recommend that the Board clarify the classification of any "clawbacks" of previously transferred consideration.

Question 4: Is cash flow classification guidance needed to address situations in which an acquirer makes a cash payment for the settlement of a contingent consideration liability soon after the business combination? If so, what classification is appropriate and why?

Refer to our response to Question 3, above.

Question 5: Should the proceeds received from the settlement of insurance claims be classified on the basis of the insurance coverage (that is, the nature of the loss), including those proceeds received in a lump-sum settlement for which an entity would be required to determine the classification on the basis of the nature of each loss included in the settlement? If not, what classification is more appropriate and why?

We agree with the proposed classification of cash flows.

For insurance proceeds that are received in a lump-sum settlement that necessitate classifying individual losses based on their nature, we recommend this should only be required to the extent practicable without undue cost and effort. Otherwise, we believe an entity should apply the predominance principle (as proposed to be amended in paragraphs 230-10-45-22 through 45-22A).

Question 6: Should cash proceeds received from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, be classified as cash inflows from investing activities? If not, what classification is more appropriate and why?

We agree with the proposed classification of cash flows.

Question 7: Should cash payments made for premiums of corporate-owned life insurance policies, including bank-owned life insurance policies, be permitted to be classified as cash outflows for investing activities, operating activities, or a combination of investing and operating activities? If not, what classification is more appropriate and why?

We believe that allowing a choice between investing and operating activities will result in continued diversity in practice. To avoid this outcome, we suggest the final guidance require cash payments made for premiums of corporate-owned life insurance policies, including bank-owned life insurance policies, also be accounted for as investing activities. This will promote consistency with the proposed classification of cash proceeds received from the settlement of such policies.

Question 8: Should distributions received from an equity method investee when an investor applies the equity method be presumed to be returns on investment and classified as cash inflows from operating activities unless the investor's cumulative distributions received less distributions received in prior periods that were determined to be returns of investment exceed cumulative equity in earnings recognized by the investor? When such an excess occurs, should the current-period distribution up to this excess be considered a return of investment and classified as cash inflows from investing activities? If not, what approach is more appropriate and why?

We generally support the proposed classification, as it appears to be consistent with current practice and reflects the Board's intent to reduce complexity.

Question 9: Should a transferor's beneficial interest obtained in a securitization of financial assets be disclosed as a noncash activity? If not, what treatment is more appropriate and why?

We agree with the proposed disclosure.

In addition, we are aware of other types of "beneficial interest" agreements such as split interest agreements primarily used in the nonprofit sector. The Board might consider indicating in the basis for conclusions that the final amendments are not intended to change practice under ASC 958-230,[1] in order to pre-empt any confusion or inappropriate application by analogy.

[1] Not-for-Profit Entities—Statement of Cash Flows

Question 10: Should cash receipts from payments on a transferor's beneficial interests in securitized trade receivables be classified as cash inflows from investing activities? If not, what classification is more appropriate and why?

Understanding the Board's intent was to treat these transactions similarly to marketable securities regardless of the holder's intent in retaining the beneficial interest (see BC28), we agree with the proposed classification of cash flows.

Question 11: Is the additional guidance that clarifies when an entity should separate cash receipts and cash payments and classify them into more than one class of cash flows (including when reasonable judgment is required to estimate and allocate cash flows) and when an entity should classify the aggregate of those cash receipts and payments into one class of cash flows on the basis of predominance understandable and operable? If not, please explain why and what additional guidance would be more appropriate.

We note the concept of predominance exists currently in GAAP (paragraphs 230-10-45-22 through 45-23), but has not prevented diversity in practice. While we do not object to the proposed amendments regarding predominance, we are not optimistic they will be effective in mitigating diversity for transactions that are not specifically addressed in Topic 230.

Question 12: Should the proposed amendments for all eight cash flow issues be applied using a retrospective transition method? If not, what transition approach is more appropriate and for which specific cash flow issues and why?

We agree with the proposed transition guidance and note that it is consistent with current guidance in Topic 250.[2]

Question 13: Should the proposed amendments include a provision that if it is impracticable for some of the amendments to be applied using a retrospective transition method, then those amendments would be applied prospectively as of the earliest date practicable? Why or why not?

We agree with the proposed transition guidance and note that it is consistent with current guidance in Topic 250.

Question 14: Should an entity be required to provide the transition disclosures specified in the proposed Update? Should any other transition disclosures be required? If yes, please explain what transition disclosures should be required and why.

We agree with the proposed transition disclosures.

Question 15: How much time will be necessary to implement the proposed amendments? Do entities other than public business entities that are required to present a statement of cash flows under Topic 230 (that is, private companies and not-for-profit entities, but not employee benefit plans) need additional time to apply the proposed amendments? Why or why not?

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[2] Accounting Changes and Error Corrections

We recommend allowing at least one year to adopt the new guidance. We also recommend a delayed effective date for private companies and not-for-profit entities; that is, the effective date for those entities should be one year following the effective date for public entities, with a further year's delay for any interim periods.

Question 16: Should early adoption be allowed?

We support permitting early adoption for all entities.