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September 16, 2019

Via email to director@fasb.org

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

Re: 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:

We are pleased to provide comments on the FASB's Proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* (the "proposed Update").

We support the proposal and believe that providing additional time to implement major accounting standards will ensure private companies, not-for-profit organizations, and smaller reporting companies are able to fully assess the new standards and provide high-quality information to their stakeholders. Our detailed responses to the Questions for Respondents is contained in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Gautam Goswami at (312) 616-4631 or Tim Kviz at (703) 245-8685.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

Appendix

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

Yes, we believe that the two-bucket approach 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?

Generally, yes, we believe the population of SEC filers excluded from bucket one should include entities that are eligible to be Smaller Reporting Companies ("SRCs") as defined by the U.S. Securities and Exchange Commission ("SEC"). We have observed that SRCs experience the challenges described in paragraph BC 2 of the Basis for Conclusions to the proposed Update to a higher degree than larger public companies, particularly when adopting new accounting standards that have pervasive effects. However, with respect to *Financial Instruments – Credit Losses* (Topic 326), we believe the effective date should be delayed for a broader group of entities. Please see our response to question 4 for additional discussion.

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?

Yes, we believe the most recent determination of SRC status in accordance with SEC regulations as of the date that a final Update is issued should be used to determine eligibility.

Additionally, the approach for determining SRC status in accordance with SEC regulations should be used for Generally Accepted Accounting Principles ("GAAP"). We believe that having two different approaches would introduce complexity for companies.

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.

Yes, we believe that Credit Losses should 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.

However, as stated in our response to Proposed Accounting Standards Update, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses* dated July 26, 2019, we believe that the effective date of Topic 326 should be delayed by at least one year for all entities, so that they can have adequate time to assess and implement the ASUs issued in 2019 and any final ASUs from deliberations currently in process .

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.

No, we believe that hedging should be effective for all entities other than public business entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. ASU 2018-19, *Codification Improvements—Financial Instruments—Credit Losses* ("ASU 2018-19") was issued to address transition complexity related to Topic 326 for nonpublic business entities. The proposed effective date for Hedging introduces the same transition complexity that ASU 2018-19 was issued to mitigate.

Additionally, if a nonpublic business entity becomes a public company, public company adoption dates must generally be retrospectively applied. It is more complicated to address retrospective application of a standard that was adopted as of the end of a fiscal year, but not in the interim periods, than to simply apply the standard to an entire fiscal year where all interim periods are affected in the same manner. Regardless, we continue to be supportive of providing bucket two entities an election to early adopt, including in interim periods.

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.

No, we believe that Leases should 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, 2021, and interim periods within those fiscal years. The reason we do not support the proposed effective date for Leases are the same as those described in our response to Question 5 above.

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?

We believe that interim reporting should be required in the same year as the annual financial statements. As discussed in our response to Question 5 above, transition complexity is introduced when effective dates do not include interim periods in the year of adoption. This is particularly true for certain regulated industries that require quarterly reporting for regulatory purposes, and the regulatory reports are based on U.S. generally accepted accounting principles.

We also believe that for other Updates that may not be considered major (i.e., not a broad project), the referred "philosophical" deferral may be appropriate based on the complexity that such an Update may introduce or attempt to mitigate. Regardless, we would typically be supportive of providing bucket two entities an election to early adopt.