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September 26, 2014

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: Proposed Accounting Standards Update, *Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* (File Reference No. 2014-220) ("the ED")

Dear Ms. Cosper:

We are pleased to provide comments on the proposal related to extraordinary items. We support reducing complexity and costs for preparers and auditors, while continuing to provide meaningful information to users of the financial statements.

Specifically, we agree with eliminating the requirement to present extraordinary items separately on the income statement for the reasons cited by the Board. We agree with the proposed effective date and also with allowing early adoption.

With respect to transition, we recommend two changes. First, we recommend allowing, but not requiring, retrospective adoption because some entities may not find it as costly as the Board expects. We believe they should be able to make that assessment for themselves. We note allowing retrospective adoption would obviate the need for the proposed transition guidance related to the adjustment of an extraordinary item reported in a prior period, which the Codification currently addresses in paragraph 225-20-45-13 for items such as true-ups of earlier estimated costs. That is, retrospective adoption would preempt the issue that otherwise needs to be addressed under prospective adoption.

Second, the transition guidance should address what happens if an entity prospectively adopts the final standard in an interim period. For example, an entity may early adopt in the interim period ended September 30, 2015. It will subsequently prepare annual financial statements for the year ended December 31, 2015. A question arises as to whether the annual financial statements could reflect an extraordinary item in the first six months of the year (or an adjustment to a previously reported extraordinary item under 225-20-43-13), while the last six months of the year would not. We note allowing retrospective adoption would alleviate this situation too.

In the appendix to this letter, we have also included several drafting improvements related to the income tax amendments proposed in the ED.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Yosef Barbut at (212) 885-8292.

Very truly yours,

BDO USA, LLP

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Appendix – Proposed Amendments to Topic 740

We recommend the following drafting improvements to the final standard:

1) Paragraph 20 of the ED (pages 20 - 21): We do not believe paragraphs 740-10-55-38(a) and (b) should be deleted simply because they refer to an "extraordinary gain" or "extraordinary loss." We note these paragraphs illustrate the application of the so-called "initial recognition" and "source of loss" rules in paragraphs 740-20-45-3 and 740-10-45-20. We believe these subparagraphs are helpful and should be preserved, particularly in light of the complexity of the subject matter. Instead of deleting them, we recommend replacing "extraordinary gain/loss" with "another component of income (discontinued operations, other comprehensive income, or items charged or credited directly to shareholders' equity)" as appropriate.

2) Paragraph 22 of the ED (page 22): We note the ED edits the parenthetical reference to certain components of income in paragraph 740-20-45-7. We recommend deleting the phrase "and so forth" and replacing it with "gains credited directly to shareholders' equity" since those gains represent the only other possible source of income. Similarly, the last sentence in this paragraph which is edited to remove "extraordinary gain" and replace it with "a gain from discontinued operations" should be expanded to include "or other comprehensive income, or gains credited directly to shareholders' equity" to make the sentence complete and clear.

3) Paragraph 25 of the ED (pages 24 - 25): We recommend amending paragraph 740-270-25-12 to insert "or other comprehensive income" immediately after "discontinued operations." In paragraph 740-270-25-14, the ED deletes "extraordinary item." In that sentence, we recommend adding "or other comprehensive income" immediately after "discontinued operations."

4) Paragraph 26 of the ED (page 25): In paragraph 740-270-30-12, the ED proposes to delete "or reported net of their related tax effect" and the last sentence which includes "discontinued operations." We recommend retaining "or reported net of their related tax effect" which essentially refers to discontinued operations and other comprehensive income. In this context, we note paragraph 30-12 appears under the heading "Items Always Excluded from Estimated Annual Effective Tax Rate" in the Codification; therefore, the reference to "or reported net of their tax effects" should be retained to ensure accuracy and consistency with paragraph 30-8, which provides the general methodology for estimating the annual effective tax rate. Further, the final amendments should revise the last sentence of paragraph 30-12 (rather than deleting it) to improve the clarity of this paragraph as follows: "This description of significant unusual or ~~extraordinary~~ <u>infrequently occurring</u> items includes ~~unusual items, infrequently occurring items,~~ discontinued operations and ~~extraordinary items~~ <u>other comprehensive income</u>."

5) Par. 27 of the ED (page 25): In paragraphs 740-270-45-2 and 45-3, the final amendments should add "and other comprehensive income" immediately following "discontinued operations" for completeness and accuracy. In paragraph 45-2, this would be in the second sentence. In paragraph 45-3, the addition of "and other comprehensive income" would follow immediately after "Discontinued operations" in the first sentence and also at the end of the fourth sentence immediately after "discontinued operations."