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June 27, 2016

Via email to director@fasb.org

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

Re: Statement of Cash Flows (Topic 230): Restricted Cash (File Reference No. EITF-16A)

Dear Ms. Cospers:

We are pleased to provide comments on the Task Force's proposal to revise the presentation of restricted cash in the statement of cash flows. We support the objective to reduce diversity in this area.

We agree with the proposal to include restricted cash in the total of cash and cash equivalents in the statement of cash flows. However, we recommend a few refinements and clarifications 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,

A handwritten signature in blue ink that reads "BDO USA, LLP". The letters are written in a cursive, slightly slanted style.

BDO USA, LLP

Appendix

Question 1: Do you agree that the statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents? If not, please explain what presentation is more appropriate and why.

The proposed amendments require that the statement of cash flows explain the change during the period in the total of cash and cash equivalents (which will include both unrestricted and restricted cash and cash equivalents). We agree that this would reduce diversity in practice because entities would no longer need to determine the appropriate classification of changes in restricted cash or cash equivalents, i.e., as operating, investing or financing.

As acknowledged in BC7, there is no specific definition of restricted cash in U.S. GAAP. If the Task Force intends to leave it undefined, we recommend that reporting entities disclose their policies for identifying restricted cash and restricted cash equivalents, similar to the requirement in ASC 230-10-50-1 for determining which items are treated as cash equivalents and treating any change to that policy as a change in accounting principle.

For purposes of identifying and disclosing what qualifies as restricted cash, we recommend leveraging language from BC7 during redeliberations to provide indicators of restricted cash and restricted cash equivalents in the final amendments.

Separately, the illustrative example (restricted cash required to be set aside by an insurer for the payment of specific workers' compensation claims) used in paragraphs 230-10-55-12A, 230-10-55-18A, 230-10-55-20 may result in unintended consequences. In practice, companies are often required to place cash into an imprest account to be used to pay claims as they are processed by a third-party claims administrator, but do not consider these funds to be "restricted." Using this example might have the unintended consequence of signaling to those companies that they should change their accounting policy to reclassify those balances as restricted cash. Since the Task Force has decided not to define restricted cash, we recommend replacing the example with something more commonly thought of as restricted cash, for instance, compensating balance requirements as contemplated in Rule 5.02.1 of Regulation S-X.

Question 2: Do you agree that if the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents at the beginning and end of the period shown on the statement of cash flows cannot be reconciled to the amounts of similarly titled line items on the statement of financial position, an entity should disclose on the face of the statement of cash flows or in the notes to the financial statements, the amounts and line items in which such amounts are reported within the statement of financial position? If not, please explain why that information would not be useful.

We agree. In addition, we recommend the following changes to paragraph 230-10-50-8 (added text is underlined and deleted text is ~~struck out~~):

If the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents at the beginning and end of the period shown on the statement of cash flows does not equal ~~cannot be reconciled to~~ the total amounts of similarly titled line items on the statement of financial position (see paragraph 230-10-45-4) because certain amounts of restricted cash or restricted cash equivalents are presented within other line items, an entity shall disclose on the face of the statement of cash flows or in the notes to the financial

statements the amounts and line items in which such amounts are reported within the statement of financial position.

Our recommended changes are intended to be more objectively determinable than the language in the proposal and therefore more operational.

Question 3: Do you agree that an entity should be required to disclose information about the nature of restrictions on its cash and cash equivalents? If not, please explain why that information would not be useful.

We agree and believe that the nature of the restriction disclosed should also indicate whether it is legal, contractual or company-designated.

Question 4: Would disclosures of the amounts of gross transfers between cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents (excluding transfers, constructive or actual, that result in a concurrent cash receipt from or a concurrent cash payment to an outside source) provide meaningful information to financial statement users? Please explain why.

We believe that disclosing gross transfers between unrestricted and restricted cash or cash equivalents would provide additional information about the availability of an entity's cash resources and liquidity that would be meaningful to financial statement users.

We believe that it would also be useful to disclose direct cash receipts into and direct cash payments from restricted cash and cash equivalents, especially if they relate to investing or financing activities. Such disclosure would help users understand current period transactions and changes in restricted cash and potential future changes.

For example, in a business combination, in addition to an increase in unrestricted cash, a seller may also have an increase in restricted cash when it sets aside part of the consideration received from the buyer in an escrow account to fund potential indemnification claims. Since the statement of cash flows would only show the total cash proceeds from the sale, we think that it is also useful to disclose the increase in restricted cash that was not separately shown in the statement of cash flows.

Question 5: Should any other disclosures be provided? If so, please explain what disclosures should be provided and why that information would be useful.

Please see our responses to Questions 1, 3 and 4.

Question 6: Do you agree that the proposed amendments should be applied using a retrospective transition method? If not, please explain what transition method would be more appropriate and why.

We agree with the proposed transition guidance as this will promote comparability between the periods presented in the financial statements.

Question 7: Do you agree that an entity should be required to provide the transition disclosures specified in the proposed Update? Should any other transition disclosures be required? If so, please explain what transition disclosures should be required and why.

It is unclear whether the Task Force intends to allow entities to change their policy for identifying and reporting restricted cash or cash equivalents (e.g. adopting a new definition of restricted cash or restricted cash equivalent) upon adoption of the final amendments or whether entities need to maintain their existing definitions. We recommend clarifying this point in the final standard.

We believe that the proposed transition disclosures would provide meaningful information in the case of a changed policy. The benefits of the transition disclosures are less clear if entities do not change their policy, particularly in light of the ongoing disclosure requirements in the final standard, as adjusted for our recommendations.

Question 8: How much time will be necessary to implement the proposed amendments? Do entities other than public business entities need additional time to apply the proposed amendments? Why or why not?

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, consistent with transition provisions in other new ASUs.

Question 9: Should early adoption be allowed? Why or why not?

We support early adoption for all entities.