July 31, 2014

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Business Combinations (Topic 805), Pushdown Accounting, a consensus of the FASB Emerging Issues Task Force*

File Reference No. EITF-12F

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, 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 Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

N Y S S C P A

Scott M. Adair
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*BUSINESS COMBINATIONS (TOPIC 805), PUSHDOWN ACCOUNTING, A CONSENSUS OF THE FASB EMERGING ISSUES TASK FORCE*

FILE REFERENCE NO. EITF-12F

July 31, 2014

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Comments on

Proposed Accounting Standards Update—*Business Combinations (Topic 805), Pushdown Accounting, a consensus of the FASB Emerging Issues Task Force*

File Reference No. EITF-12F

We welcome the opportunity to comment on the Financial Accounting Standards Board's (the Board) Exposure Draft of a Proposed Accounting Standards Update—*Business Combinations (Topic 805), Pushdown Accounting, a consensus of the FASB Emerging Issues Task Force* (proposed Update).

General Comments

In general, we agree with the proposed Update. We have limited our comments to those questions where our principal drafters had significant deliberations and additional thoughts for the FASB Emerging Issues Task Force (Task Force) to consider. The areas of discussion included the concept of financial control, scope of this proposed update, temporary control, whether pushdown accounting should be optional or mandatory, and additional disclosures for acquired entities not electing pushdown accounting.

Responses to Selected Questions for Respondents

Question 2: Do you agree that the threshold for the option to apply pushdown accounting should be when an acquirer has obtained control of the entity? If not, what would be a more appropriate threshold for the option to apply pushdown accounting and why would that threshold be more appropriate?

Response: We discussed the concept of control including whether more than 50% financial control was too low a threshold, whether the levels established by the Securities and Exchange Commission (SEC) and included in Accounting Standards Codification (ASC) paragraph 805-50-S99 were more appropriate or if the percentage should be somewhere in between these two thresholds. We also discussed whether there should be a "bright line" or if a more principle driven definition should be used. The consensus is we agree with the definition of financial control as defined in paragraph 810-10-15-8, but we would like the Task Force to consider 1) adding the clarification in paragraph 810-10-15-3(b) to the definition of control, "noncontrolling rights may prevent the owner of more than 50 percent of the voting shares from having a controlling financial interest," and 2) excluding temporary control from the scope of the option to apply pushdown accounting. Other than temporary control is discussed in paragraph 810-10-

15-10-a(2) as it relates to broker-dealers. We do not believe that this concept should be limited to broker-dealers.

Question 3: Do you agree that pushdown accounting should be optional when control over the entity has been obtained by an acquirer? Alternatively, should pushdown accounting be mandatory for certain entities or certain transactions? If so, what types of entities or transactions should require a mandatory application of pushdown accounting?

Response: While there will be continued divergence in practice between entities, we concluded that pushdown accounting should be optional. There are many purposes for financial statements and pushdown accounting that may not be beneficial or relevant to financial statement users of a given acquired entity. Our discussion included the effects that mandatory pushdown might have on loan covenants, existing agreements, noncontrolling shareholders or preferred shareholders, vendors, customers, donors (not-for-profit) and grantors (not-for-profit), to whom historical information may be more relevant. The discussion did not focus on incorporating the SEC's guidance relating to mandatory application of pushdown currently included in paragraph 805-50-S99 beyond leaving this section where it is.

Question 4: Do you agree that an acquired entity that elects the option to apply pushdown accounting should reflect in its separate financial statements the new basis of accounting established by the acquirer for the individual assets and liabilities of the acquired entity by applying Topic 805? If the acquirer did not establish a new basis of accounting for the individual assets and liabilities of the acquired entity, should it reflect in its separate financial statement the new basis of accounting that would have been established by the acquirer had the acquirer applied Topic 805? If not, please explain why.

Response: We agree that if the acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should reflect the new basis of accounting for the individual assets and liabilities of the acquired entity by applying Topic 805.

We also believe that if the acquirer did not establish a new basis of accounting for the individual assets and liabilities of the acquired entity, the acquired entity should reflect the fair value of the acquired entity's assets and liabilities in the notes to its financial statements. In addition, if the fair value of the acquired assets and liabilities reflect any impairment, the acquired entity should write down the impaired assets on its financial statements.

Question 8: Should the final Accounting Standards Update on pushdown accounting include any additional guidance on recognition and measurement of assets, liabilities and equity instruments of the acquired entity? If yes, please explain for which assets, liabilities, and equity instruments additional guidance should be provided.

Response: No, except for the concept of other than temporary control, which was discussed in Question 2 above.

Question 10: Do you agree that an entity that does not elect the option to apply pushdown accounting should disclose in the current reporting period that it has (a) undergone a change-in-control event whereby an acquirer has obtained control of the entity during the reporting period and (b) elected to continue to prepare its financial statements using its historical basis that existed before the acquirer obtained control of the entity? Are there any other disclosures that an acquired entity that does not elect the option to apply pushdown accounting should be required to disclose?

Response: We agree that both (a) and (b) above should be disclosed. We also believe that the nature of the change in control and applicable terms including the purchase price, contract or assets exchanged, and the fair value of the assets and liabilities acquired should be disclosed, if the information is available. In some situations, the acquiring entity may not issue U.S. GAAP basis financial statements, and is not subject to Topic 805. In this situation, obtaining a fair valuation of the assets and liabilities may not be required by the acquiring entity, and the cost of obtaining a fair value of the assets and liabilities acquired may outweigh the benefit of the disclosure in the acquired entity's financial statements.

Question 11: Do you agree that for purposes of disclosure requirements, an entity should assess at each reporting period whether its control has been obtained by an acquirer and whether it would elect the option to apply pushdown accounting? How much incremental cost and effort does such continuous assessment require?

Response: We agree that an entity should assess, at each reporting period, whether an acquirer has obtained control and whether it would elect the option to apply pushdown accounting. The principal drafter group did not include any members in industry; therefore, we are not commenting on the incremental cost and effort the continuous assessment would require.