

June 21, 2016

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

By e-mail: director@fasb.org

**Re: Proposed Accounting Standards Update—*Statement of Cash Flows (Topic 230):
Restricted Cash* (a consensus of the FASB Emerging Issues Task Force)**

(File Reference No. EITF-16A)

Dear Ms. Cospers:

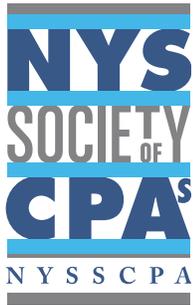
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

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 Craig T. Goodman, Chair of the Financial Accounting Standards Committee, at (212) 324-7048, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

F. Michael Zovistoski
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON
PROPOSED ACCOUNTING STANDARDS UPDATE—*STATEMENT OF CASH FLOWS*
(TOPIC 230): RESTRICTED CASH
(A CONSENSUS OF THE FASB EMERGING ISSUES TASK FORCE)**

(File Reference No. EITF-16A)

June 21, 2016

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Statement of Cash Flows (Topic 230): Restricted Cash* (a consensus of the FASB Emerging Issues Task Force)

(File Reference No. EITF-16A)

General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board’s (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update—*Statement of Cash Flows (Topic 230): Restricted Cash* (a consensus of the FASB Emerging Issues Task Force) (Proposed Update).

Specific Comments

We have the following responses to the questions posed in the Proposed Update, along with suggestions for the FASB’s consideration.

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.

Response: In our view, a presentation of a statement of cash flows that contains a balance for cash and cash equivalents that includes restricted cash as part of the balance might be confusing to a reader of the financial statements in regard to how much cash is available for the entity to operate. The balance as derived in the statement of cash flows will be greater than the cash balance presented in the balance sheet that excludes “restricted cash” accounts.

As discussed in our response to Question 3, changes in the balance in a restricted cash account from the beginning of the period to the end of the period can be better accomplished via a reconciliation in a note to the financial statements that details inflows and outflows involving third parties, as well as transfers to/from unrestricted cash accounts. Accordingly, we do not believe that the Proposed Update provides meaningful information that will explain changes during the period in the total cash that remains available for an entity to operate.

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.

Response: Should the Board decide to go forward with this Proposed Update without addressing the concerns we have raised in Question 1, we agree that the beginning and end of the period amounts shown in the statement of cash flows for cash and cash equivalents and restricted cash should be reconciled, either on the face of the financial statements or in a note thereto, to the amount of similarly titled items in the statement of financial position.

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.

Response: As discussed in our response to Question 1, we are concerned that a presentation of a statement of cash flows that contains a balance for cash and cash equivalents at the beginning and end of the period that includes restricted cash as part of the balance might be confusing to a reader of the financial statements, regarding how much cash is available for the entity to operate.

In addition to information about the nature of restrictions on an entity's cash and cash equivalents, if the Board decides to go forward with the Update as proposed, the required disclosures should also include:

- Amounts and terms of restriction (including when such restrictions will cease to be in effect) for separate items or groups of items for which a restriction is imposed, such as governmental (e.g., HUD) or debt obligation (e.g., payment of real estate taxes and insurance or servicing of mortgage principal and interest).
- When an unclassified balance sheet is presented, identification of restricted cash and terms of restriction, with a focus on liquidity.
- Identification of accounts in the statement of financial position with titles other than restricted cash, such as "assets limited as to use," that, in essence, are restricted cash and should require disclosures commensurate with restricted cash.
- A disaggregated roll forward by item or group of items included within restricted cash from beginning of period to end of period that identifies the sources of third-party cash inflows and outflows (e.g., payment of bond principal and interest), as well as amounts of transfers received from or returned to operating cash accounts.

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.

Response: As discussed in our response to Question 3, we believe disclosures should be made in a note to the financial statements within a reconciliation that identifies sources of third-party cash inflows and outflows, as well as transfers received from or made to cash operating accounts during the period for each type or group of restricted accounts that reconciles amounts restricted at the beginning and end of the period to the statement of financial position.

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

Response: Other disclosures should be required concerning the forward liquidity of restricted cash accounts. These disclosures should describe, in narrative form, amounts expected to be available for use within the 12 month period subsequent to the date of the financial statements (such as for payment of real estate taxes, debt service, etc., including any aggregate contractual obligations to replenish the restricted cash account).

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.

Response: We agree that the amendments should be applied retrospectively.

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.

Response: We agree that an entity should be required to provide the transition disclosures specified in the Proposed Update.

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?

Response: We believe the amount of time necessary to implement the Proposed Update will vary based on the size and complexity of the entity. We do not believe that entities other than public entities will need additional time to apply the proposed amendments.

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

Response: Early adoption should be permitted.