

June 28, 2019

Director@fasb.org
File Reference No. 2019 - 600

Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative

Dear FASB:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the questions included in the above-referenced exposure draft.

Question 1: Do you agree with the amendments to the Codification in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

Response: Overall, we are in agreement with FASB's codification proposed in the update. We think the changes will reconcile the small differences between current GAAP and the SEC requirement. However, we do have some specific concerns, such as the disclosure requirement to include the method for calculation of dilutive securities. Current GAAP allows changing the method from period to period, while the proposed amendment requires disclosing when a change in calculation method is made. We think disclosing when the method is changed back and forth, as required by GAAP, may confuse readers and raise needless concerns about the disclosure. With regards to business combinations, when presenting information prior to acquisition of a business, a successor auditor may have to re-audit information disclosed in the footnotes in order to issue a report for the newly combined entity. We think the benefit of including this information will not be worth the cost of reporting it in the audited financial statements. Also, some information may not be operable or auditable. For example: inventory and cost of goods sold, both of which include transactions, may not be auditable by a successor auditor. These types of additional costs would be incurred each time there was an acquisition, not one time at implementation. Also, this inclusion would increase audit risks of successor auditors. When considering the amendment concerning weighted average interest rates for short term loans, we agree with the dissenting opinion. The cost benefit of this additional requirement for private companies does not support the proposed amendment to GAAP.

The committee would like to caution FASB when absorbing SEC requirements into GAAP. Simplifying disclosures should not mean making private companies follow public company rules, which include additional SEC requirements.

Question 2: Would the proposed amendments result in decision-useful information? Please explain why or why not.

Response: In general, with exceptions noted in Question #1, the committee thinks the additional information required in the disclosures is useful.

Question 3: For entities other than public business entities, are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability concerns and why?

Response: Other than the cost benefit and auditability concerns previously mentioned, the proposed disclosures should be operable and auditable.

Question 4: For entities other than public business entities, would any of the proposed disclosure requirements impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

Response: The committee expressed general concern that the additional disclosure requirements, and the related costs, might result in an undue burden on private companies. This burden appears to increase with each "simplification" process of disclosure requirements.

Question 5: The proposed amendment to paragraph 850-10-50-4A would not apply to entities other than public business entities. Do you agree with this proposed scope? Are there other proposed disclosure requirements that entities other than public business entities should not be required to apply? If so, please explain why.

Response: The committee agrees that 850-10-50-4A should only apply to public entities. We also think that private companies should be exempted from 470-10-50-7 (weighted average interest). Most private companies do not disclose earnings per share; this requirement will be excessively burdensome on private companies. By requiring disclosure of dilutive securities and earnings-per-share, the information will yield little benefit to the readers and place undue burden on the private companies. This is especially true as this is an area of standards which the companies are likely very unfamiliar.

Question 6: The proposed amendment to paragraph 810-10-50-1C would require that an entity disclose the names of newly consolidated or deconsolidated entities. Would this proposed disclosure requirement impose incremental costs for entities other than public business entities? If so, please describe the nature and extent of the additional costs.

Response: The committee does not think that this requirement would impose incremental costs on entities. However, we question whether or not this requirement adds value to the disclosure. Is it relevant to list the names of all entities acquired, even if limited to material entities? The list could be long and not really enhance the financial statements. This information may be relevant in a 10-K, but not in the financial statements. Also, for competitive reasons, private companies, should not be required to disclose this information.

Question 7: Should the proposed amendments be applied prospectively to financial statements issued after the effective date? If not, what transition method would be more appropriate and why?

Response: The committee agrees with the prospective application of the proposed amendments to financial statements issued after the effective date.

Question 8: How much time would be needed to implement the proposed amendments? Should early adoption be permitted? Would the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Why or why not?

Response: The committee thinks that for public entities, not much time will be needed to implement the proposed amendments because the required information is already disclosed elsewhere. However, private companies would need additional time to implement the amendments. We suggest an additional fiscal year to gather and compute the added information required in the proposed disclosures.

Question 9: Should the proposed amendments be finalized if the SEC does not eliminate the referred disclosure requirements in Regulation S-X and Regulation S-K? Why or why not?

Response: Changes to the disclosure requirements should not be determined solely by the actions of the SEC. The SEC and FASB should work together to decide whether or not to finalize the proposed disclosures.

Question 10: Do you agree with the Board's decision not to propose amendments to the Codification for certain referred disclosures? If not, please explain why.

Response: The committee agrees with the excluded proposed amendments as outlined on pages 38 – 40.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,



Ken Sibley, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants