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File Reference No. 2020-300
Financial Accounting Standards Board
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Proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities (File Reference No. 2020-300)*

Dear Mr. Kuhaneck:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB's proposal to defer the effective dates for certain entities for the new standards on revenue and leases. The challenges associated with transition to these major Accounting Standards Updates have been magnified for those entities by the business disruptions caused by the COVID-19 pandemic. We commend the Board for addressing stakeholder issues in a timely manner.

Our responses to questions in the proposal are set out in Appendix A to this letter. In Appendix B, we recommend some additional clarifications to the proposal.

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We would be pleased to discuss our comments with the Board or its staff at its convenience.

Very truly yours,

Appendix A – Responses to Questions for Respondents included in the FASB's proposal**Revenue from Contracts with Customers**

Question 1: Should the effective date of Revenue for franchisors that are not public business entities be optionally deferred to annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020? Please explain why or why not.

Question 2: Is the scope of the Revenue deferral (franchisors that are not public business entities) clear? If not, please explain why.

We believe the effective date of the new revenue standard should be optionally deferred for franchisors that are not public business entities to annual reporting periods beginning after 15 December 2019 and interim reporting periods within annual reporting periods beginning after 15 December 2020. As stated in the proposal, the deferral would allow the Board time to undertake a research project on possible cost-effective solutions for the application of Accounting Standards Codification (ASC) 606 to the accounting for initial franchise fees in this industry. We believe the scope of the proposed deferral is clear.

Leases

Question 3: Should Leases be effective for entities in the “all other” category (such as private companies and private NFP entities) for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022? Please explain why or why not.

Question 4: Should Leases be effective for NFP entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market that have not yet issued financial statements for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years? Please explain why or why not.

We believe that the new leases standard should be effective for entities in the “all other” category for fiscal years beginning after 15 December 2021 and interim periods within fiscal years beginning after 15 December 2022. We also believe that the effective date for not-for-profit (NFP) entities that have issued or are conduit bond obligors for securities that are traded, listed or quoted on an exchange or an over-the-counter market (what the proposal calls “public NFP entities”) and that have not yet issued financial statements should be fiscal years beginning after 15 December 2019, including interim periods within those fiscal years.

We believe the proposed deferrals should provide these entities with enough time to implement the standard. We also recommend that the FASB clarify in the final Accounting Standards Update that public NFP entities with a 31 December year end that have not yet issued their 2019 financial statements are within the scope of the deferral.

Appendix B – Recommended clarifications

We believe the proposed amendments to ASC 842-10-65-1(a) and ASC 842-10-65-4(a) make clear that certain entities that have not issued financial statements (or made financial statements available for issuance, when applicable) as of the date a final Accounting Standards Update on effective dates for certain entities is issued would be within the scope of the proposed one-year effective date deferral. However, we observe that there are several places in the proposed Accounting Standards Update where the language could be read to suggest that these entities are not within the scope of the proposed deferral. We also observe that paragraph BC34 could be read to suggest that entities that have issued quarterly financial information (i.e., entities that have not yet issued financial statements) are not within the scope of the proposed deferral. We have included our recommended clarifications below.

Why Is the FASB Issuing This Proposed Accounting Standards Update (Update)?

Revenue is limited to franchisors that are not public business entities because of a specific issue related to the application of Revenue to initial franchise fees. The proposed deferral for Leases is limited to (1) entities for whom Leases is currently effective and that have rapidly approaching year-end or financial statement issuance dates and (2) entities for whom the effective date for Leases is imminent.

Leases

The Board decided that the proposed deferral for those limited entities was needed at this time because of the rapidly approaching year-end or financial statement issuance dates for public NFP entities and because the effective date for entities in the “all other” category is imminent.

Background Information, Basis for Conclusions, and Alternative View

Background Information

BC4. The proposed deferral for Revenue is limited to franchisors that are not public business entities because of a specific issue related to the application of Revenue to initial franchise fees. The proposed deferral for Leases is limited to (a) entities for whom Leases is currently effective and that have rapidly approaching year-end or financial statement issuance dates and (b) entities for whom the effective date for Leases is imminent.

Leases

BC28. Because of those challenges, the Board considered whether to defer the effective date of Leases for certain entities because of business disruptions from COVID-19, specifically for those in the “all other” category and public NFP entities that have not yet issued their financial statements. The Board decided that the proposed deferral for these ~~limited~~ entities was needed at this time because of the rapidly approaching year-end or financial statement issuance dates for public NFP entities and because the effective date for entities in the “all other” category is imminent.

Private Companies and NFP Entities, excluding Public NFP Entities

BC30. The amendments in this proposed Update would defer the effective date of Leases by one year for entities in the “all other” category. Therefore, Leases would be effective for those entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Board believes that this deferral would ensure that there is adequate time for preparers to implement Leases, considering the rapidly approaching year-end or financial statement issuance dates for public NFP entities and because the effective date for entities in the “all other” category is imminent. Early application would continue to be permitted, which means that the proposed deferral would be optional, and an entity may choose to implement Leases before the deferred effective dates.

Public NFP Entities

BC34. ~~Most public NFP healthcare organizations use a have~~ Most public NFP healthcare organizations use a have fiscal year ~~that -ends on either that~~ that -ends on either that ~~vary between~~ vary between December 31 ~~or and~~ or and on or after June 30. Therefore, the population of NFP healthcare organizations that may not have commenced or finalized their implementation of Leases ~~is are~~ is are generally those issuing financial statements for fiscal years ending on or after June 30, 2020. However, the Board recognizes that some calendar year-end entities also have not yet issued financial statements reflecting the adoption of Leases. The Board’s preliminary research indicates that many public NFP healthcare organizations may be required to post interim financial information or interim financial statements to EMMA. Therefore, those organizations that post quarterly ~~financial information statements~~ financial information statements may have already adopted Leases as of the first day of their fiscal year ending in 2020 (for example, July 1, 2019, for a public NFP with a fiscal year-end of June 30, 2020). Depending on specific negotiations, it is the Board’s understanding that the public NFP healthcare organizations have between 90 and 180 days to post their financial statements in EMMA (and generally a shorter period for interim financial information).

BC36. The amendments in this proposed Update would defer the effective date of Leases by one year for NFP entities that have issued or are conduit bond obligors for securities that are traded, listed, or quoted on an exchange or an over-the-counter market that have not yet issued financial statements. Therefore, Leases would be effective for those entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early application would continue to be permitted, which means that the proposed deferral would be optional, and an entity may choose to implement Leases before the deferred effective date. The Board believes that this deferral for public NFP entities is needed at this time because Leases is currently effective for those entities and because the year-end or financial statement issuance dates of higher education and healthcare organizations are rapidly approaching.