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September 16, 2019

Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
via email to director@fasb.org

Re: File Reference Nos. 2019-750 and 2019-760

Dear Mr. Kuhaneck:

Dixon Hughes Goodman LLP (DHG) welcomes the opportunity to comment on the Financial Accounting Standards Board's (FASB) Exposure Drafts, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates* and *Financial Services—Insurance (Topic 944): Effective Date,* collectively referred to in our letter as the Proposed ASUs. Headquartered in Charlotte, North Carolina, DHG ranks among the top 20 public accounting firms in the nation, with more than 2,000 professionals and staff in 13 states, and is a member of Praxity, a global alliance of independent firms.

Overall, DHG is supportive of the FASB's effort to provide additional time for certain companies to evaluate the impact and effectively implement the new current expected credit losses (CECL), leases, and hedging accounting standards. With the release of these multiple complex accounting standards with effective dates that are within relative proximity of each other, the FASB's consideration to extend the effective dates will give affected entities needed additional time for adoption. We are similarly supportive of the FASB's proposed deferral of the effective date for ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* (ASU 2018-12) for all entities.

Implementation challenges have arisen as entities work through adopting these complex accounting standards and we commend the FASB for responding to these challenges in proposing to provide certain companies the benefit of additional implementation time. However, despite the deferred effective dates, impacted companies should not slow down their implementation efforts and should utilize this additional time to enhance their efforts to implement robust approaches in adopting these accounting standards that meet all their compliance and system needs. We encourage the FASB to utilize the additional time to continue assessing the guidance needs of companies impacted by the Proposed ASUs, particularly smaller public companies, private companies, not-for-profit organizations, and employee benefit plans, and develop implementation tools and practice guidance, as needed, to enhance adoption efforts.

This letter includes our views, observations, and recommendations to certain questions detailed within the Proposed ASUs. Our responses are framed by our experiences serving private companies, middle-market public issuers, and non-issuer brokers and dealers.

FASB Exposure Draft, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates

Question 1: Is the two-bucket approach described and applied in this Update understandable? If not, please explain why.

DHG is supportive of the FASB's proposed approach of staggering effective dates between larger public companies and all other entities into two buckets. As indicated in the Background Information and Basis for Conclusions section, there are a number of challenges encountered by all types of entities in adopting ASUs related to broad projects, and these challenges are often magnified for private companies, smaller public companies, and not-for-profit organizations.[1] Utilizing a two-bucket approach, with bucket one including larger SEC filers, would provide the smaller entities in bucket two not only additional implementation time, but opportunities to evaluate and leverage bucket one's implementation experiences.

Question 2: Should the population of SEC filers that are afforded a delayed effective date (that is, excluded from bucket one) be entities eligible to be SRCs as defined by the SEC? If not, what definitional threshold, if any, do you suggest and why?

Question 3: Should the determination of whether an entity is eligible to be an SRC be based on its most recent determination in accordance with SEC regulations as of the date that a final Update is issued? If not, what determination date should be applied?

DHG is generally supportive of using the Smaller Reporting Company classification, as defined by the SEC, to identify the smaller SEC filers that are included in bucket two. Additionally, we believe the determination of an SRC should be based on the most recent determination in accordance with SEC regulations at the issuance of a final ASU.

The use of the SRC classification, and an entity's status as of the date a final ASU is issued, provides a clear basis for determination that certain SEC filers must already make when filing their periodic reports, and as a result would incur no additional costs in making the determination. However, there are a group of entities that are not SEC issuers (as that term is defined by section 10A(f) of the Securities Exchange Act of 1934), including nonpublic brokers and dealers in securities, that are included in bucket one regardless of size due to the definition of SEC filer in the Master Glossary. Many of these entities are smaller companies with characteristics of SRCs and private companies. We strongly encourage the FASB to consider whether the bucket two definition should be revised to include brokers and dealers that are not SEC issuers or otherwise considered Public Business Entities.

Question 4: Should Credit Losses be effective for entities eligible to be SRCs, private companies, not-for-profit organizations, and employee benefit plans for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years? If not, please explain why.

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[1] Paragraph BC2 of the Exposure Draft*, 'Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates.'*

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DHG is supportive of the proposed effective date deferral of CECL for SRCs, private companies, not-for-profit organizations, and employee benefit plans for the same reasons articulated above.

In addition, the FASB should consider extending the effective date of ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* to ensure continued alignment with the CECL standard. As noted in BC61 of ASU 2017-04, aligning the effective dates of the two accounting standards would allow an entity to adjust the carrying amount of its loan portfolio (and therefore, the carrying amount of the associated reporting unit) prior to testing for goodwill impairment, avoiding the potential of double counting losses associated with the loan portfolio.

> *Question 5: Should Hedging be effective for all entities other than public business entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.*

DHG is supportive of the proposed effective date delay for Hedging for other than public business entities.

> *Question 6: Should Leases be effective for (a) private companies, (b) not-for-profit organizations (excluding those 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), and (c) employee benefit plans (excluding those that file or furnish financial statements with or to the SEC) for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021? If not, please explain why.*

DHG is supportive of the effective date delay for private companies, certain not-for-profit organizations, and employee benefit plans. Additionally, DHG recommends extending the effective date deferral to not-for-profit organizations 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 issued GAAP basis financial statements including the adoption of Leases. Many conduit debt obligors do not issue GAAP basis interim financial statements and may be able to benefit from a delayed effective date. Therefore, we recommend that Leases be effective for not-for-profit conduit debt obligors that have not yet issued GAAP basis financial statements for fiscal years beginning after December 15, 2020, to align with the effective date for private companies and all other not-for-profit organizations.

> *Question 7: This question is for future major Updates and not the amendments in this proposed Update. Under the revised effective data philosophy, certain public business entities, including SRCs, and nonpublic business entities would have a deferred effective date. Should interim reporting be required in the same year as the annual financial statements or in the subsequent year for these entities when they provide interim financial statements?*

As many private companies do not issue interim financial statements, we do not believe this would have a significant impact. However, for SRCs and non-public business entities that do issue interim financial statements, DHG believes that permitting additional time by requiring interim reporting in the subsequent year would be beneficial.

FASB Exposure Draft, Financial Services—Insurance (Topic 944): Effective Date

DHG is supportive of the proposed one-year effective date delay for SEC filers other than SRCs and two-year delay for all other entities, for reasons similar to our comments above. Furthermore, DHG supports that the amendments in ASU 2018-12 be effective for interim periods within the years after the amendments are effective for annual periods for those entities other than larger public companies.

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DHG appreciates the opportunity provided by the FASB to comment on these proposals. DHG is supportive of the FASB's effort to provide additional time for entities to evaluate impact and effectively implement these significant accounting standards. We would be pleased to discuss any questions the Board and its Staff may have concerning our comments. Please direct any questions to Dave Hinshaw, (dave.hinshaw@dhg.com), Jeffrey Rapaglia, (jeff.rapaglia@dhg.com), or Mike Sufczynski, (mike.sufczynski@dhg.com), of DHG's Professional Standards Group.

Sincerely,

Dixon Hughes Goodman LLP

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