

October 2, 2019

Director@fasb.org
File Reference No. 2019 - 770

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

Re: Reference Rate Reform (Topic 848)

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.

Overall

The committee is in overall agreement with the exposure draft. Furthermore, the committee would like to commend FASB for addressing the reference rate issue in advance of the changes and providing pragmatic solutions that simplify the accounting effects of the reference rate changes.

General

Question 1: Costs and Complexities: Are the amendments in this proposed Update operable and auditable? If not, which proposed amendment(s) pose operability or auditability issues and why?

Response: The proposed amendments are operable and auditable.

Question 2: Additional Issues: Are there additional accounting issues or optional expedients related to reference rate reform that the Board should consider? Please be as specific as possible and explain why those issues require consideration.

Response: There are no additional items the Board should consider.

Contract Modifications

Question 3: Expedients: Do you agree with the proposed expedients for the accounting for contract modifications? If not, please explain which proposed amendment(s) you disagree with and why.

Response: The committee agrees with the proposed expedients for the accounting for contract modifications.

Question 4: Election Level: Do you agree that the optional expedients for contract modifications should be applied at the relevant Topic, Subtopic, or Industry Subtopic level? If not, what alternative do you suggest and why?

Response: The committee agrees that the optional expedients for contract modifications should be applied at the relevant Topic, Subtopic, or Industry Subtopic level.

Hedge Accounting

Question 5: Change in Critical Terms: Do you agree with the proposed exceptions to the requirement in Topic 815 to designate a hedging relationship for a change in critical terms of the hedging relationship? If not, please explain which proposed amendment(s) you disagree with and why.

Response: The committee agrees.

Question 6: Fair Value Hedges: Do you agree with the proposed optional expedients for fair value hedge accounting? If not, please explain which proposed amendment(s) you disagree with and why.

Response: The committee agrees.

Question 7: Cash Flow Hedges: Do you agree with the proposed optional expedients for cash flow hedge accounting? If not, please explain which proposed amendment(s) you disagree with and why.

Response: The committee agrees.

Question 8: Election Level: Do you agree that the proposed exceptions and optional expedients related to hedge accounting should be applied on an individual hedging relationship basis? If not, please explain why.

Response: The committee agrees.

Disclosures

Question 9: Contracts or Holdings: What quantitative and qualitative disclosures should be provided to help users understand a reporting entity's current contracts or holdings (as of the reporting date) that are affected by reference rate reform? For financial statement preparers, what costs would be incurred in providing these disclosures? For financial statement users, what alternative sources of information would be used if a reporting entity does not provide any quantitative and qualitative disclosures? What costs would be incurred to obtain quantitative and qualitative information to better understand a reporting entity's exposure to reference rate reform? Should the quantitative and qualitative disclosures, if any, have a termination date after December 31, 2022? If not, when should such disclosures expire and why?

Response: The committee believes that in many instances, the effect of a reference rate change in a contract would be immaterial to a company, since it will often be the case that the intent of the new reference rate is to be comparable to the existing reference rate. Thus, when there are only immaterial effects, the committee believes a simple disclosure would suffice noting that the expedient option was elected and there were no material effects.

However, when the effect is material, there should be adequate and appropriate disclosures in the notes to the financial statements, including the revised terms of the contract, the revised reference rate used, the financial impact on the operating income, net income, balance sheet items and other comprehensive income.

Question 10: Hedge Accounting: What quantitative and qualitative disclosures should be provided to help users understand the financial reporting effects of expedients elected by a reporting entity? For financial statement preparers, what costs would be incurred in providing these disclosures? For financial statement users, what costs would be incurred if a reporting entity does not provide any quantitative and qualitative disclosures to help financial statement users understand the financial reporting effects of any hedge accounting expedients elected?

Response: Same as for question 9 above.

Question 11: Transition: Do the proposed transition disclosure requirements provide decision-useful information? If not, what would you recommend and why?

Response: The committee agrees.

Transition and Termination Date

Question 12: Transition: Do you agree that the proposed optional expedients should be applied on a prospective basis upon election? If not, what alternative do you suggest and why?

Response: The committee agrees.

Question 13: Termination Date: Do you agree that the proposed amendments should not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022? If not, when should the proposed amendments expire and why?

Response: The committee agrees.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Sibley".

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