The Association of
Accountants and
Financial Professionals
in Business

November 8, 2014

Mr. Russell Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2014-250, Exposure Draft of Proposed Accounting Standards Update, *Simplifying the Presentation of Debt Issuance Cost*

Dear Mr. Golden:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board's (FASB) Exposure Draft of Proposed Accounting Standards Update (ASU), *Simplifying the Presentation of Debt Issuance Cost*.

The IMA is a global association representing more than 70,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at www.imanet.org under the Advocacy section.

We have noted in many comment letters to the FASB our concern about the complexity of financial reporting requirements and, in a letter to you dated May 27, 2014, we expressed our support of the Board's Simplification Initiative. We are pleased to see the Initiative result in this proposed ASU.

We agree with the proposed ASU but believe that the accounting could be further simplified. Classifying debt issuance costs as a reduction of debt is better conceptually than current GAAP and results in convergence with International Financial Reporting Standards. However, to achieve a meaningful simplification, we believe the FASB should also conform the subsequent accounting for debt issuance costs with the accounting for debt discounts. As the proposed ASU acknowledges, under the proposed ASU companies will still have to track debt issuance costs separately from debt discount because the subsequent accounting (for example, debt exchanges or modifications) for each can be different. We believe meaningful simplification would result if the Board unified the subsequent accounting.

The proposed ASU does not specifically address the classification of costs incurred for revolving lines of credit—when amounts are drawn and repaid periodically. However, one could read the discussion in paragraph BC3 as requiring a borrower to reclassify any costs incurred for revolving lines of credit as a reduction of a borrowing once it has borrowed against the line of credit. That raises further questions about whether the borrower would recognize a loss at the time it repays the borrowing. We do not believe a borrower should recognize a loss if it still has the ability to borrow against the line of credit.

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We would encourage the Board to exclude the classification of costs incurred on revolving line of credit arrangements from the scope of the proposed ASU.

Sincerely,

Nancy J. Schroeder, CPA
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Institute of Management Accountants
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