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April 10, 2025

Mr. Jackson M. Day  
Technical Director  
Financial Accounting Standards Board  
801 Main Avenue  
PO Box 5116  
Norwalk, CT 06856-5116

### File Reference No. 2025-ED100

Dear Mr. Day:

RSM US LLP is pleased to provide feedback on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Codification Improvements*, (the proposed ASU or proposal).

We appreciate the Board's efforts to continually update the Codification for a broad range of Topics arising from technical corrections, unintended application of the Codification, clarifications and other minor improvements. Overall, we believe the amendments in the proposed ASU would make the Codification easier to understand and apply. Generally, unless otherwise noted below, we do not foresee that adoption of the proposed amendments would result in unintended consequences, operational concerns, significant incremental costs or materially different amounts being recorded in financial statements. We also do not foresee the proposed amendments requiring special consideration for nonpublic entities.

The above encompasses our response to Questions 1, 2, 4, 5 and 7 in the proposed ASU. Our responses to the other questions posed in the proposed ASU are included in the remainder of the letter.

### Responses to Questions for Respondents

#### Question 3

Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the Board will conduct Codification Improvement projects on a periodic basis, and additional changes may be addressed in a subsequent Codification Improvement project.

In Issue 18, the Board proposes to update the Fresh-Start Illustrative Example by replacing the phrase "Reorganization value in excess of amounts allocable to identified assets" included in paragraphs 852-10-55-9 and 55-10 with "Goodwill (new)." We note that this phrase is also used in the illustrative disclosure found in paragraph 852-10-55-11 of the existing guidance. We recommend that the Board make conforming amendments to this paragraph as illustrated in the partial excerpt from the Accounting Standards Codification included below:

**852-10-55-11** The following illustrative disclosure discusses the details of XYZ Company's confirmed plan of reorganization. In this illustration a tabular presentation entitled Plan of Reorganization Recovery Analysis is incorporated in the note disclosure. The plan of reorganization recovery analysis may alternatively be presented as supplementary information to the financial statements.

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Note X - Plan of Reorganization

On June 30, 19X2, the Bankruptcy Court confirmed the Company's plan of reorganization. The Company accounted for the reorganization using fresh-start reporting. Accordingly, all assets and liabilities are adjusted to fair value in accordance with accounting requirements for business combinations under ASC Topic 805. The excess of reorganization value over the fair value of tangible and intangible assets was recorded as "~~reorganization value in excess of amounts allocable to identifiable assets.~~" **"Goodwill (new)."** The confirmed plan provided for the following: ...

**Question 6**

Are the proposed amendments to Topic 260 on the application of the diluted EPS computation when an entity has a loss from continuing operations (and has a contract that may be settled in stock or cash that is reported as an asset or liability for accounting purposes) clear and understandable? Would the proposed amendments result in any unintended consequences? Please explain.

We agree with the proposed amendments to Topic 260 on the application of the diluted EPS computation when an entity has a loss from continuing operations and a contract that may be settled in stock or cash that is reported as an asset or liability. However, to further clarify the correct application of the diluted EPS computation, we recommend that the Board add the following sentence to the end of the example included in proposed paragraph 260-10-55-91A. This is similar to what is stated in existing paragraph 260-10-55-91, as illustrated below:

Because loss from continuing operations is the control number and the combined effect of the adjustments has a dilutive effect, Entity A must include those adjustments in the diluted per-share computations and would report diluted per-share amounts of \$(0.48) for continuing operations, \$(3.00) for discontinued operations, and \$(3.48) for the net loss for the period. **The adjustments are required even though two of the resulting per-share amounts [\$3.00] per share for the loss from discontinued operations and \$(3.48) per share for the net loss are antidilutive to their comparable basic per-share amounts of (\$3.60) and (\$3.98), respectively; that is, the loss per-share amounts are less.**

**Question 8**

The proposed amendments to paragraphs 860-10-55-5 and 860-10-55-14A would clarify that the transfer of receivables from contracts with customers recognized in accordance with the guidance in paragraph 606-10-45-4 should be accounted for in accordance with the transfer of financial assets guidance. Are you aware of significant diversity in accounting for these transactions under current GAAP? Do you agree with the proposed amendments? Please explain.

We have not experienced any significant diversity in accounting for the referenced transactions under current GAAP. However, the agenda request submitted to the FASB by another accounting firm in 2022 clearly explains why differences may exist.

We defer to the views of financial statement issuers as to which accounting treatment (i.e., application of Topic 860, *Transfers and Servicing*, or Topic 470, *Debt*) better reflects the substance of the transaction. However, if the Board decides to finalize the proposed amendments as exposed, we recommend that the Board also clarify whether the seller-entity's ongoing performance obligations associated with the

transferred receivables recognized under Topic 606 constitute a form of continuing involvement under Subtopic 860-10.

As noted in paragraph 860-10-40-5, for a transfer of financial assets to be accounted for as a sale by the transferor, among other things, the transferred financial assets must be isolated from the transferor—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership. Further, as clarified in paragraphs 860-10-55-18A and 55-18B, a legal opinion is often required to make the isolation determination when the transferor has continuing involvement in the transferred financial assets.

Before finalizing the proposed ASU, we recommend that the Board clarify whether an unfulfilled performance obligation (i.e., an outstanding obligation to transfer a good or service to the customer) associated with a receivable recognized under Topic 606 represents a form of continuing involvement that would require an analysis of the legal isolation criterion under paragraphs 860-10-40-7 through 40-14. This clarification would promote more consistent application of GAAP and, potentially, reduce the cost of compliance if use of a legal specialist is not necessary.

For those entities that may initially refer to Subtopic 470-10 for guidance on sale of future revenues, we believe it would be helpful if the Board expanded that guidance to clarify that a transfer of receivables from contracts with customers recognized in accordance with the guidance in paragraph 606-10-45-4 should be accounted for in accordance with the transfer of financial assets guidance in Topic 860, even if the receivable is recognized before the entity transfers a good or service to the customer.

#### Question 9

The proposed amendments to paragraph 958-310-35-3 would refer to Subtopic 326-20 for guidance on the accounting for receivables arising from exchange transactions. This would clarify that all entities, including NFPs, would need to measure receivables arising from exchange transactions using the credit losses guidance in Subtopic 326-20.

- a. Do you anticipate that this proposed amendment would result in a significant change in practice? For example, would this proposed amendment impose significant incremental costs or result in a significant change in outcome? Please explain. Additionally, how would your responses be affected if the Board finalized the amendments in the proposed Accounting Standards Update, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities*, which would introduce a practical expedient and an accounting policy election for private companies and certain NFPs related to the application of the guidance in Subtopic 326-20 to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606?
- b. Paragraph 326-20-15-1 currently indicates that Subtopic 326-20 on current expected credit losses (CECL) applies to all entities, including NFPs. Therefore, receivables arising from exchange transactions are subject to the CECL guidance in Topic 326. Do you think it is necessary to add a reference for Topic 326 on credit losses to the guidance on the accounting for receivables arising from exchange transactions in paragraph 958-310-35-3? Please explain.

We do not believe the proposed amendment would result in a significant change in practice because we understand that most NFPs are already applying the guidance in Subtopic 326-20 when assessing the adequacy of their allowance for credit losses.

Additionally, our response would not be affected if the Board finalized the amendments in the proposed ASU, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities*. Identifying, analyzing and documenting macroeconomic data to develop reasonable and supportable forecasts can have a significant cost for NFPs and generally does not materially affect the allowance for expected credits losses for short-term receivables. We believe that the proposed practical expedient and related accounting policy election provide entities with a cost-effective and less complex approach for applying the provisions of Subtopic 326-20 while retaining the decision usefulness of the information.

Paragraph 326-20-15-1 indicates that the guidance in Subtopic 326-20 applies to all entities. Moreover, we do not believe that the Board intended to create industry-specific guidance for entities applying Subtopic 958-310 when issuing ASU 2026-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. However, paragraph 958-310-35-3 refers to certain receivables arising from exchange transactions that are reported at “net realizable value,” whereas Subtopic 326-20 generally references financial assets measured at “amortized cost basis.” As a result, we understand why some NFPs question whether the guidance in Topic 326 is applicable. Accordingly, we believe it would be helpful if the Board included a reference in paragraph 958-310-35-3 to Subtopic 326-20, similar to the reference included in paragraph 954-310-35-1 regarding measurement of credit losses by healthcare entities.

#### **Question 10**

Would any of the proposed amendments (other than Issue 4) result in substantive changes to the application of existing guidance that would require transition provisions specific to that proposed amendment? If so, please describe.

Except as noted in our response to Question 8, we do not believe that any of the proposed amendments would result in substantive changes to the application of the existing guidance that would require transition provisions specific to that proposed amendment.

#### **Question 11**

In the period of adoption, an entity would be required to apply the proposed amendments to Topic 260 retrospectively to each prior reporting period presented (Issue 4). An entity would be permitted to apply all other proposed amendments prospectively or retrospectively. Are the proposed transition requirements operable, and do you foresee any auditability challenges? Please explain. If the proposed transition requirements are not operable, please explain what transition method would be more appropriate and why.

We generally believe the proposed transition requirements are operable, and we do not foresee any significant auditability challenges. However, with respect to Issue 4, it is unclear whether an entity would be able to use hindsight when applying the proposed amendments retrospectively to each of the prior reporting periods presented. For example, if a contract was ultimately settled in cash rather than shares, can an entity use that knowledge to restate prior periods and treat the contract as cash settled when recalculating earnings per share for the earlier reporting periods during which the contract was

outstanding? We believe that allowing the use of hindsight during the transition period would be more cost effective and simplify the application of the guidance.

**Question 12**

In evaluating the effective date, how much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities be different from the effective date for public business entities? Should early adoption be permitted? If so, and an entity elects to early adopt the proposed amendments, should the entity be required to adopt those proposed amendments as of the beginning of an annual reporting period? Please explain.

We generally defer to financial statement preparers as to how much time may be needed to implement the proposed amendments. However, given the nature of the proposed changes, we see no reason why the effective date of the proposed amendments should not be the same for all entities.

We believe that early adoption should be permitted, but, if elected, we believe an entity should be required to adopt the proposed amendments as of the beginning of the annual reporting period unless doing so has no impact on the amounts previously reported. We generally believe this method of adoption would make it easier for users of financial statements to understand an entity's operating results and financial condition by requiring a consistent method of accounting to be used for the entire fiscal period presented.

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We would be pleased to respond to any questions the Board or its staff may have concerning our comments and ask that questions be directed to Richard Daisley at 267.515.5148 or Joseph Cascio at 212.372.1139.

Sincerely,

*RSM US LLP*

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