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Technical Director
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Proposed Accounting Standards Update: Derivatives and Hedging (Topic 815)
*Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives*

The Accounting Principles and Assurance Services Committee (the "Committee") of the California Society of Certified Public Accountants ("CalCPA") respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee consists of 53 members, of whom 47 percent are from local or regional CPA firms, 27 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

The Committee agrees with the proposed guidance.

Application of the proposal would be prospective. The Committee recommends that an entity be permitted to implement it retrospectively if it so chooses. There may be some value to the additional transparency that comparative disclosures would provide.

***Question 1:*** *Will the amendments in this proposed Update result in more transparent, decision-useful information about hybrid financial instruments with bifurcated embedded derivatives? If not, please explain why.*

Yes, the Committee believes that the amendments in this proposed Update result in more transparent, decision-useful information about hybrid financial instruments with bifurcated embedded derivatives.

***Question 2:*** *Should the scope of the amendments in this proposed Update be extended to include nonfinancial hybrid instruments with embedded derivatives that require bifurcation under Topic 815? If yes, please explain why and identify any other instruments that should be included in the proposed amendments.*

No, the Committee sees no need to expand the scope at this time.

***Question 3:*** *Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?*

The Committee sees no reason why the proposed disclosure requirements would not be operable and auditable.

***Question 4:*** *The proposed amendments would apply to all entities. Should the proposed amendments be different for entities that are not public business entities? If so, please describe how and why you think they should be different.*

The Committee suggests a different, deferred, effective date for non-public entities be considered. The Committee members do not encounter transactions by non-public entities subject to the proposed Update with any frequency, but the Committee observes that the costs of implementation likely be relatively greater for non-public entities than for public entities. It may be useful for the Board to solicit input from the Private Company Council on this matter.

***Question 5:*** *How much time would be needed to implement the proposed guidance? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?*

The Committee does not believe time needed to implement the proposed guidance would be significant for public or non-public entities. However, please refer to our response to Question No. 4; implementation time may be relatively greater for non-public entities.

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We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

Michael D Feinstein

Michael D. Feinstein
Chair
Accounting Principles and Assurance Services Committee
California Society of Certified Public Accountants