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Proposed Accounting Standards Update

Investments—Equity Method and Joint Ventures (Topic 323)

Accounting for Investments in Qualified Affordable Housing Projects, a consensus of the FASB Emerging Issues Task Force

The Accounting Principles and Auditing Standards Committee (the "Committee") of the California Society of Certified Public Accountants ("CalCPA") respectfully submits its comments on the referenced proposed ASU. The AP&AS Committee is the senior technical committee of CALCPA. CALCPA has approximately 40,000 members. The Committee is comprised of 53 members, of whom 47 percent are from local or regional firms, 27 percent are from large multi-office firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international firms.

Below are the Committee's responses to the questions posed to commenters on the Proposed Update.

Question 1: Do you agree that an entity should meet the conditions in this proposed Update in order to elect to account for the investment in a qualified affordable housing project using the effective yield method? If not, please explain why.

Yes. The Committee agrees that the conditions are appropriate.

Question 2: Do you agree that the effective yield method is an appropriate method to account for investments in qualified affordable housing projects? If not, what method of accounting should be used? Please explain.

Yes, if the conditions called for in the Proposed Update are met.

Question 3: Do you believe that removal of the requirement for guaranteed tax credits should change the method used to account for such investments from an effective yield method to an approach where the cost of investment is amortized in proportion to tax credits and other tax benefits received and recognized as a component of income taxes attributable to continuing operations?

No, the Committee agrees that the removal of the guarantee should not change the method used to account for such investments so long as the conditions called for in the Proposed Update are met.

Question 4: Do other types of investments made primarily for the purpose of receiving tax credits meet the conditions in this proposed Update for an entity to elect to account for the investments using the effective yield method? If so, please describe them.

The Committee is not aware of other types of investments that would meet the conditions noted in the Proposed Update.

Question 5: Should the guidance in this proposed Update extend the effective yield method of accounting to other types of investments for which the economic benefits are realized primarily as a result of tax credits and other tax benefits? Please explain.

No, the Committee believes that the effective yield method should not be extended to other types of investments without first being considered by the Board based on their characteristics and similarity of such characteristics to investments currently within the scope of the Proposed Update.

Question 6: Do you agree that the amendments in this proposed Update should prescribe recurring disclosure objectives that would enable users of financial statements to understand the nature of investments in qualified affordable housing projects and the effect of the measurement of that investment and the related tax credits on the financial position and results of operations of the reporting entity? Alternatively, should the proposed amendments include minimum required disclosures?

The Committee agrees with providing recurring disclosure objectives and permitting preparers the freedom in determining how such objectives can be met.

Question 7: Do you agree that the amendments in this proposed Update should be applied using a retrospective approach? If not, please explain why.

Yes.

Question 8: Do you agree that early adoption of the proposed amendments should be permitted? If not, please explain why.

Yes.

Question 9: The amendments in this proposed Update would apply to public and nonpublic entities. Should the proposed amendments be different for nonpublic entities? If so, please describe how and why you think they should be different.

The Committee believes the Proposed Update should apply to all entities.

Question 10: For preparers, how much effort would be needed to implement the proposed amendments?

The Committee does not believe extensive effort would be required to comply with the Proposed Standard.

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.

Very truly yours,

Michael D Feinstein

Michael D. Feinstein, Chair
Accounting Principles and Auditing Standards Committee
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