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Technical Director  
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Proposed Accounting Standards Update: Business Combinations (Topic 805) *Simplifying the Accounting for Measurement-Period Adjustments*

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 43,000 members. The Committee consists of 57 members, of whom 43 percent are from local or regional CPA firms, 30 percent are from large multi-office CPA firms, 13 percent are sole practitioners in public practice, 9 percent are in academia and 5 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.

Question 1: Should adjustments to provisional amounts and the corresponding adjustment to goodwill that are identified during the measurement period be recognized in the reporting period in which the adjustment amount is determined? Why or why not?

Yes, we agree with this accounting as proposed by the Board. It simplifies the accounting for adjustments made to provisional amounts recognized in a business combination.

Question 2: If adjustments to provisional amounts as of the acquisition date would have affected earnings in periods subsequent to the initial accounting for the business combination, should the effect on earnings, in periods prior to the adjustment period, of changes in depreciation, amortization, or other income effects be recognized in the income statement in the reporting period in which the adjustment to the provisional amount is determined? Why or why not?

Yes, we agree with this accounting as proposed by the Board. Since they relate to periods prior to the date of the adjustment, they should not be carried forward to future periods.

Question 3: Should the proposed guidance be applied prospectively to adjustments made to provisional amounts that are identified after the effective date and that are within the measurement period? Why or why not?

No. See our response to Question 2. The adjustments should achieve the same effect in the current statement of financial position as if they had been made retrospectively, and any income statement effect through the date of the adjustment should be recognized immediately and not be carried forward to future periods

Question 4: How much time will be necessary to adopt the amendments in this proposed Update? Should early adoption be permitted? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

The Committee believes adoption of the amendments in the proposed update will save time.

Early adoption should be permitted; since stakeholders believe that the existing accounting adds cost and complexity to financial reporting but does not significantly improve the usefulness of the information provided to users there does not seem to be any point in continuing that accounting past the time that the proposed update is finalized.

Since applying the proposed amendments will save time, there is no need to defer the effective date for entities other than public business 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,

A handwritten signature in black ink that reads "A.J. Major III". The signature is written in a cursive style with a large initial "A" and a stylized "J".

A.J. Major III  
Chair  
Accounting Principles and Assurance Services Committee  
California Society of Certified Public Accountants