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Technical Director
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Proposed Accounting Standards Update: Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20) *Premium Amortization on Purchased Callable Debt Securities*

The California Society of CPA's ("CalCPA") Accounting Principles and Assurance Services Committee (the "Committee") is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international 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: Do you agree that premiums on purchased callable debt securities should be amortized to the earliest call date? Please explain why or why not.

The Committee does not agree with the proposed amendments. While the Committee agrees with the Board's objective in the proposal, the amortization period should reflect whether exercise of the call is advantageous for the issuer, and subject to periodic reassessment as circumstances change. If the call is not advantageous to the issuer, the call is not likely to be exercised and amortization to the call date would misstate the effect of the premium on periodic interest income. The call may not be advantageous to the issuer because of, among other reasons, an increase in interest rates, the presence of a call premium, or inability of the issuer to fund the call. The method we are suggesting is consistent with tax basis adjustment on non-taxable bonds, and is generally reflected in the amortized cost information in investment firms' customer statements; it is also an available tax accounting method for taxable bonds.

Question 2: How much time would be needed to implement the proposed amendments? Should entities other than public business entities be provided more time? Should early adoption be permitted?

The Committee does not have specific information on this question, but does not believe the time needed to implement the proposal would be significant. It sees no need for providing more time for entities other than public business entities.

Question 3: Do you agree with the proposed transition method and disclosures in paragraph 310-20-65-1(c)? Please explain why or why not.

The Committee agrees with the Board's proposed transition method and disclosures.

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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 horizontal line underlining the name.

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