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Financial Accounting Standards Board  
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22 April 2025

**Proposed Accounting Standards Update, *Codification Improvements*  
(File Reference No. 2025-ED100)**

Dear Mr. Day:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Codification Improvements*, issued by the Financial Accounting Standards Board (FASB or Board).

We support the FASB's continued efforts to address stakeholder feedback on the Accounting Standards Codification (ASC or Codification) and make improvements to US GAAP. We agree that the proposed changes would clarify the guidance or correct its unintended application. Most of the minor improvements to the Codification would not be expected to have a significant effect on current accounting practice. We highlight proposed amendments that may have a greater effect on current accounting practice in our responses to questions in the proposal in Appendix A.

In addition, we believe that certain aspects of the proposal could benefit from additional clarification, particularly the proposed amendments to ASC 260, *Earnings Per Share*. We note that certain of these amendments remove guidance that we think is necessary in specific situations. Our recommendations for the Board's consideration are also included in Appendix A.

We provide further recommendations to clarify other areas of the Codification in Appendix B.

\* \* \* \* \*

We would be pleased to discuss our comments with the Board or its staff at their convenience.

Very truly yours,

## Appendix A – Responses to questions raised in the Proposed Accounting Standards Update, Codification Improvements

**Question 1:** Do you agree with the amendments to the Codification in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

**Question 2:** Would any of the proposed amendments result in unintended consequences? If so, please explain.

**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.

**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.

We generally agree that the proposed amendments would clarify and improve the guidance in the Codification and, in most cases, would not be expected to have a significant effect on current accounting practice. However, in addition to our comments on the issues the Board specifically highlighted in its proposal (refer to our responses to Questions 5, 6, 7, 8, 9 and 11), we note that certain other areas of the proposed amendments could benefit from additional clarification, as discussed in more detail below.

### Issue 10

We support amending ASC 505-30-30-8 to permit entities to account for the excess of repurchase price over par or stated value entirely as a deduction from additional paid-in capital (APIC) when treasury shares are retired or repurchased for constructive retirement.

However, we note that the proposed amendments to ASC 505-30-30-8(c) do not indicate that the amounts recorded in APIC would be limited in any way. As such, the amendments would seem to allow for an entity to record the entire excess amount in APIC even if this would result in a negative APIC balance. If this is not the Board's intent, we suggest the Board consider the following edit to ASC 505-30-30-8(c) (in bold and underscored):

- c. Reflected entirely as a deduction from additional paid-in capital, **but limited to the sum of both of the following:**
1. **All additional paid-in capital arising from previous retirements and net gains on sales of treasury stock of the same issue**
  2. **All additional paid-in capital, voluntary transfers of retained earnings, capitalization of stock dividends, and so forth, on the same issue. For this purpose, any remaining additional paid-in capital applicable to issues fully retired (formal or constructive) is deemed to be applicable to shares of common stock.**

Our suggested clarification would allow entities to allocate a greater amount of the excess of repurchase price over par or stated value to APIC compared with the maximum amount allowed under ASC 505-30-30-8(a) and it would prevent a negative APIC balance.

If the Board's intent is not to limit the amount that may be deducted from APIC under the proposed guidance in ASC 505-30-30-8(c), we recommend the Board clarify this by explicitly stating that the limitation in ASC 505-30-30-8(a) does not apply to ASC 505-30-30-8(c) to avoid potential confusion and diversity in practice.

Because ASC 505-30-30-8 provides multiple alternatives to determine how to account for the excess of repurchase price over par or stated value, we also suggest the Board clarify that an entity's decision on which method to apply is an accounting policy election subject to ASC 250, *Accounting Changes and Error Corrections*.

### **Issue 23**

The Board's objective is to correct a perceived conflict between paragraphs 954-810-15-3(b) and 954-810-15-3(dd). We believe the clearest and most concise amendment would be to point directly to ASC 954-810-15-3(dd) within ASC 954-810-15-3(b). We suggest the following edit to paragraph 954-810-15-3(b) (in bold and underscored):

If the not-for-profit, business-oriented health care entity has an investment in a for-profit entity (other than a limited partnership or similar legal entity [such as a limited liability company that has governing provisions that are the functional equivalent of a limited partnership] except for as described in paragraph 954-810-15-3(dd)), it shall use the guidance in the General Subsections of Subtopic 810-10 to determine whether that interest constitutes a controlling financial interest.

### **Issue 26**

We agree with the proposed removal of the phrase "with readily determinable fair values" from ASC 958-310-35-11, 35-12 and 55-1. This amendment would align the subsequent measurement of a promise to give equity securities without a readily determinable fair value with the guidance in ASC 321.

The proposed amendment could require not-for-profit entities (NFPs) to recognize an increase in contribution revenue, whereas currently they only recognize a decrease in the securities' value. We suggest the Board consider whether the accounting change could require additional effort from preparers when it is determining the effective date for the guidance.

Also, we suggest the Board include links to the Master Glossary terms "equity securities" and "debt securities," rather than adding references to ASC 320 and ASC 321 in ASC 958-310-55-1(b). This would provide a clear and concise definition of the term and avoid referencing ASC 320 in ASC 958, which could create confusion since ASC 320 does not apply to NFPs. We suggest the following edit to ASC 958-310-55-1(b) (in bold and underscored):

For purposes of this table, *securities* are defined as equity securities **{add glossary link}** with readily determinable fair values and all debt securities **{add glossary link}**, ~~consistent with the use of those terms in Topic 321 and Subtopic 958-321 and in Topic 320 and Subtopic 958-320, respectively.~~

**Issue 27**

We agree with adding a reference in ASC 958-325-35-1 to other GAAP for impairment guidance for other types of investments that are in the scope of ASC 958-325. As a further improvement, we believe the FASB should consider whether bringing consistency to the guidance in ASC 958-325-35 for different types of NFPs (i.e., institutions of higher education, voluntary health and welfare entities, health care entities and other NFPs) would be beneficial to users. The guidance for different types of NFPs has been amended over the years but remains inconsistent. We would support an approach that is both consistent with other relevant guidance and across the industry.

**Issue 28**

In line with the Board's objective to amend ASC 958-325 to remove references to equity securities because those investments are not in the scope of the subtopic's guidance, we suggest that ASC 958-325-60-2 be deleted. In addition to referencing guidance on equity securities, that paragraph links to ASC 944-325, which contains guidance that was also superseded by Accounting Standards Update (ASU) 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.

**Issue 32**

We agree that adding a reference in ASC 958-815 to ASC 815-20 regarding the timing of hedge documentation and hedge effectiveness assessments for certain NFPs would provide clarity. We suggest the Board consider adding subheaders to ASC 958-815 to provide additional clarity by differentiating between the two topics now included in the subsection. For example, ASC 958-815-25 could be displayed as follows (in bold and underscored):

**25 Recognition****General****> Embedded Derivative**

**958-815-25-1** See paragraphs 958-30-25-7 through 25-14 to determine whether an obligation arising from an irrevocable split-interest agreement contains an embedded derivative that warrants separate accounting under paragraph 815-15-25-1.

**> Hedge Documentation and Effectiveness**

**958-815-25-2** See paragraphs 815-20-25-3A and 815-20-25-143 about timing of hedge documentation and hedge effectiveness assessments for certain not-for-profit entities.

**Question 4:** The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

We do not believe that the proposed amendments would require special consideration for nonpublic entities.

**Question 5:** The proposed amendments would remove the Master Glossary term *amortized cost*. Although that term is not linked to the Master Glossary, it frequently is used interchangeably with the linked and defined Master Glossary term *amortized cost basis* in Subtopic 320-10. Are there any operational concerns or unintended consequences if the existing instances of the term *amortized cost* were replaced with the Master Glossary term *amortized cost basis*? Please explain, including any specific instances where the term *amortized cost* should not be replaced.

We are not aware of any operational concerns or unintended consequences related to replacing the term "amortized cost" with the Master Glossary term "amortized cost basis."

**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.

While we support the Board's overall objective for the proposed amendments to ASC 260, we believe additional clarification is needed to make the amendments clear and understandable.

We believe it is important for ASC 260-10-45-45 to refer to newly amended ASC 260-10-45-19. We believe a contributing factor to the current diversity in practice that necessitates this ASC 260 amendment is that the instrument-specific dilution guidance in ASC 260-10-45-45 and 45-46 does not currently address whether or how the combined effect of the numerator and denominator adjustments for asset- or liability-classified financial instruments are incorporated into the diluted earnings per share (EPS) calculation when an entity has a net loss from continuing operations. Linking this instrument-specific guidance to the antidilution provisions in ASC 260-10-45-19 is necessary to address this gap in the guidance. We therefore recommend that the Board make the following changes to clarify the proposed guidance (in bold and underscored):

**260-10-45-45** The effect of potential share settlement shall be included in the diluted EPS calculation (if the effect is more dilutive) for an otherwise cash-settleable instrument that contains a provision that requires or permits share settlement (regardless of whether the election is at the option of an entity or the holder, ~~or~~ ~~or~~ the entity has a history or policy of cash settlement). **Further, as discussed in paragraph 260-10-45-19, ~~or~~ if a loss from continuing operations exists, it should not be assumed that the effect of the potential share settlement would be antidilutive.**

Additionally, we believe certain of the proposed amendments to ASC 260-10-55-3A through 55-3C remove guidance that we believe is needed. The current guidance in these paragraphs addresses year-to-date diluted EPS calculations in three situations when in-the-money options or warrants were not included in one or more quarterly diluted EPS calculations because the effect was antidilutive: (1) when an entity has a year-to-date loss from continuing operations with income from continuing operations in at least one quarter, (2) when an entity has a year-to-date loss from continuing operations with no income in any quarter and (3) when an entity has year-to-date income from continuing operations.

The proposed amendments to ASC 260-10-55-3A and 55-3C would only address one of these situations. That is, when an entity has year-to-date income and in-the-money options or warrants were excluded from one or more quarterly diluted EPS computations because the effect was antidilutive. That is, the proposed guidance would not address how an entity would compute year-to-date diluted EPS when it has a year-to-date loss from continuing operations.

In order for the amended guidance to be complete (i.e., address how an entity should compute year-to-date diluted EPS in all situations when in-the-money options or warrants were not included in one or more quarterly diluted EPS calculations because the effect was antidilutive), we recommend the Board make the following changes to ASC 260-10-55-3A and 55-3C. We also suggest an additional edit to ASC 260-10-55-3A to emphasize that in-the-money options or warrants are excluded because they are antidilutive, not because there was a loss from continuing operations (in bold and underscored):

**260-10-55-3A** Computation of year-to-date diluted EPS when an entity has a ~~year-to-date~~ loss from continuing operations ~~including~~ one or more quarters ~~with (regardless of whether the entity has a year-to-date loss~~ or income from continuing operations) and when in-the-money options or warrants were not included in one or more quarterly diluted EPS computations because ~~the effect was antidilutive (e.g., there was a loss from continuing operations in those quarters) (and the entity determined that the effect of doing so would be antidilutive)~~ **the effect was antidilutive** (e.g., there was a loss from continuing operations in those quarters) ~~(and the entity determined that the effect of doing so would be antidilutive)~~ is as follows. In computing year-to-date diluted EPS, year-to-date income (or loss) from continuing operations shall be the basis for determining whether or not dilutive potential common shares not included in one or more quarterly computations of diluted EPS shall be included in the year-to-date computation.

**260-10-55-3C** ~~When there is year-to-date income,~~ if in-the-money options or warrants were excluded from one or more quarterly diluted EPS computations because the effect was antidilutive (e.g., there was a loss from continuing operations in those periods), then those options or warrants should be included in the diluted EPS denominator (on a weighted-average basis) in the year-to-date computation as long as the effect is ~~dilutive~~ **dilutive** not antidilutive. Similarly, contingent shares that were excluded from a quarterly computation ~~solely because there the effect was antidilutive~~ **solely because the effect was antidilutive** a loss from continuing operations should be included in the year-to-date computation ~~if~~ **unless** the effect is ~~dilutive~~ **antidilutive**.

We also suggest an edit to ASC 260-10-45-18, which currently states that the “use of the treasury stock method does not affect the numerator of the computation.” However, the numerator of the diluted EPS calculation under the treasury stock method may be affected when there are asset- or liability-classified warrants that can be settled in cash or shares and are assumed to be settled in shares for EPS purposes, in accordance with ASC 260-10-45-45 and 45-46.

In addition, in all places where the control number is referred to as only “income” from continuing operations, the guidance should be clear that the control number may be a loss from continuing operations. For these reasons, we recommend the Board make the following changes (in bold and underscored):

**260-10-45-18** Convertible securities may be dilutive on their own but antidilutive when included with other potential common shares in computing diluted EPS. To reflect maximum potential dilution, each issue or series of issues of potential common shares shall be considered in sequence from the most dilutive to the least dilutive. That is, dilutive potential common shares with the lowest earnings per incremental share shall be included in diluted EPS before those with a higher earnings per incremental share. Example 4 (see paragraph 260-10-55-57) illustrates that provision. Options and warrants

generally will be included first because use of the treasury stock method does not affect the numerator of the computation (however, certain contracts also may require an adjustment to the numerator in accordance with the guidance in paragraphs 260-10-45-45 and 45-46). An entity that reports a discontinued operation in a period shall use income (or loss) from continuing operations (adjusted for preferred dividends as described in paragraph 260-10-45-11) as the control number in determining whether those potential common shares are dilutive or antidilutive. That is, the same number of potential common shares used in computing the diluted per-share amount for income (or loss) from continuing operations shall be used in computing all other reported diluted per-share amounts even if those amounts will be antidilutive to their respective basic per-share amounts. (See paragraph 260-10-45-3.) The control number excludes income (or loss) from continuing operations attributable to the noncontrolling interest in a subsidiary in accordance with paragraph 260-10-45-11A. Example 14 (see paragraph 260-10-55-90) provides an illustration of this guidance.

We note that there are likely other instances where the control number is referred to as only income from continuing operations (rather than income (or loss) from continuing operations). Therefore, additional edits outside of ASC 260-10-45-18 may be necessary.

**Question 7:** The proposed amendments to paragraph 325-40-35-4B would update the description of the calculation of the reference amount for beneficial interests in paragraph 325-40-35-4B to include the allowance for credit losses. Do you anticipate that this proposed amendment would result in a significant and appropriate change in practice? For example, would this proposed amendment impose significant incremental costs or materially change estimated expected credit losses? Please explain.

While ASC 325-40-35-4B does not explicitly state whether the calculation of the reference amount for beneficial interests described in ASC 325-40-35-4 through 35-4A should be reduced by the allowance for credit losses, it is our understanding that when applying this guidance entities generally subtract the allowance in determining the reference amount. Therefore, we do not expect the proposed amendment to result in a significant change in practice.

**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 are aware that reporting entities can reach different conclusions about the appropriate guidance to consider in evaluating the accounting for a transfer of a receivable arising from a contract with a customer before the entity transfers control of a good or service to the customer. We understand that some entities believe the transfer of such a receivable should be evaluated under the sale of future revenue guidance in ASC 470-10-25-1 through 25-2, which would result in the receivable remaining on the entity's balance sheet and cash received from the investor recorded as either debt or deferred income. Other entities believe that ASC 860, *Transfers and Servicing*, is applicable because the transfer involves a receivable, which is a financial asset, that has been recognized in accordance with ASC 606 regardless of whether revenue has been recognized.

We agree with the proposed amendment and believe it would address the diversity in practice mentioned above.

**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?
- a. 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 ASC 958-310-35-3? Please explain.

We agree with the proposed amendments to ASC 958-310-35-3 that would clarify that NFPs apply ASC 326 to measure credit losses for receivables from exchange transactions. This amendment may result in a change in practice for some preparers, which we believe are in the best position to comment on whether it would result in a significant change in outcome or incremental costs.

We encourage the Board to align the effective date of this proposed amendment with that of 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*. This would allow eligible NFPs to consider the effects of both changes and make necessary revisions to related processes and systems at the same time.

We believe it would be beneficial to add a reference to ASC 326 in ASC 958-310-35-3. Promises to give, which are outside the scope of ASC 326, may constitute most receivables recorded by certain NFPs. This would provide a helpful reminder to those NFPs that receivables arising from exchange transactions are in the scope of ASC 326.

We believe the proposed amendment to ASC 958-310-35-3 should clearly differentiate between the accounting for receivables arising from exchange transactions and the measurement of credit losses related to those receivables. We suggest amending ASC 958-310-35-3 as follows (in bold and underscored):

See Subtopic 326-20 on accounting for credit losses on ~~for guidance on the accounting for~~ receivables. Receivables arising from exchange transactions shall be reported at net realizable value if the amounts are due within one year.



**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 would be operable and do not foresee auditing challenges. However, we believe the transition disclosure guidance for the proposed amendments to ASC 260 should be simplified to improve understandability. Absent further guidance in the Background Information and Basis for Conclusions, we are concerned that companies may not understand how to apply the transition guidance.

We believe the Board's intent is for entities to apply the transition disclosure guidance in ASC 250-10-50-1, except that the guidance in ASC 250-10-50-1(b)(2) does not need to be applied to the current period. Accordingly, we recommend the Board make the following changes to clarify ASC 260-10-65-5(e). This wording would be consistent with the Board's tentative decisions reached at its 18 September 2024 meeting:

#### 260-10-65-5

##### Transition disclosures

- e. An entity applying the pending content that links to this paragraph shall provide the transition disclosures required by paragraph 250-10-50-1(a) through (b)(1), (b)(2) for any prior periods recast, and (b)(3) through (b)(4), in both the interim reporting period (if applicable) and the annual reporting period of the change, except as follows. An entity need not disclose (1) the effect of the changes on the current period, which otherwise is required by paragraph 250-10-50-1(b)(2), and (2) paragraph 250-10-50-1(c).

**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 believe preparers are in the best position to comment on the time necessary to adopt the proposed amendments. However, as discussed in our response to Question 9, we encourage the Board to align the effective date of the proposed amendments to ASC 958-310-35-3 with that of 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*. This would allow eligible NFPs to consider the effects of both changes and make necessary revisions to related processes and systems at the same time.

We support early adoption of the proposed amendments and believe it is reasonable to require an entity electing early adoption to adopt as of the beginning of an annual reporting period.

## Appendix B – Other suggested amendments

In addition to the proposed amendments, we believe amendments should be made to ASC 942-740 and 944-740 to reflect the removal of the income tax disclosure requirement in ASC 740-30-50-2(b) that was amended in ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*.

ASU 2023-09 eliminates the ASC 740-30-50-2(b) requirement to disclose the “cumulative amount of each type of temporary difference” for deferred tax liabilities related to subsidiaries and corporate joint ventures that are not recognized due to recognition exceptions in ASC 740 and reflects the Board’s most current guidance.

If the Board’s intent is to eliminate the disclosure requirement for unrecognized deferred taxes for certain entities in addition to subsidiaries and corporate joint ventures, ASC 942-740-50-1(b) and ASC 944-740-50-1(b) would also need to be updated since they currently require those entities to disclose the cumulative amount of each type of temporary difference related to (1) a savings and loan association’s bad-debt reserve for financial reporting and (2) the policy holders’ surplus of stock life insurance companies. We suggest the following updates to ASC 942-740-50-1(b) and ASC 944-740-50-1(b) (in bold and underscored text) to align with the updates made to ASC 740-30-50-2(b):

ASC 942-740-50-1: All of following information shall be disclosed whenever a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to a savings and loan association’s bad-debt reserve for financial reporting:

- a. A description of the types of temporary differences for which a deferred tax liability has not been recognized and the types of events that would cause those temporary differences to become taxable.
- b. **Subparagraph superseded by Accounting Standards Update No. 2023-09. The cumulative amount of each type of temporary difference**
- c. The amount of the deferred tax liability for temporary differences (that is, the bad-debt reserve for tax purposes of a U.S. savings and loan association or other qualified thrift lender) that is not recognized in accordance with the provisions of paragraphs 740-10-25-3, 740-30-25-5, 740-30-25-18, and 942-740-25-1 through 25-3.

ASC 944-740-50-1: The following information shall be disclosed if a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes for any of the areas addressed by Section 740-10-25:

- a. A description of the types of temporary differences for which a deferred tax liability has not been recognized and the types of events that would cause those temporary differences to become taxable.
- b. **Subparagraph superseded by Accounting Standards Update No. 2023-09. The cumulative amount of each type of temporary difference**
- c. The amount of the deferred tax liability for temporary differences other than the policyholders’ surplus of a life insurance entity that is not recognized in accordance with the provisions of paragraph 740-10-25-3.