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November 19, 2026

Via email to director@fasb.org

Mr. Jackson M. Day, Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Codification Improvements (File Reference No. 2026-ED500)

Dear Mr. Day,

We appreciate the opportunity to respond to the Board's exposure draft on *Codification Improvements*.

We support the Board's ongoing efforts to improve the clarity, consistency, operability, and usability of the Codification through targeted corrections and clarifications. We generally agree with the proposed amendments. However, we believe the proposed amendments in Issue 11 related to rabbi trusts could add significant cost without a commensurate benefit. Our specific observations and recommendations for Issue 11, as well as our responses to the Questions for Respondents, are included in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct any questions to Jin Koo (214) 243-2941 or Angela Newell (214) 689-5669.

Very truly yours,

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Appendix

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.

We generally agree with the proposed amendments to the Codification. However, refer to our response to Question 6 related to Issue 11 for our observations and discussion of potential unintended consequences associated with that proposed change.

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

Except for the potential unintended consequence discussed in our response to Question 6 regarding Issue 11, we do not believe the proposed amendments would result in unintended consequences.

Question 3: Should other changes be made that are directly or indirectly related to the proposed amendments? Please note that the Board conducts Codification Improvement projects on a periodic basis, and additional changes may be addressed in a subsequent Codification Improvement project.

The proposed amendments in Issue 17 would remove remaining references to extraordinary items because ASU 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation By Eliminating the Concept of Extraordinary Items*, eliminated the concept of extraordinary items from U.S. GAAP. However, we note that Example 3 in ASC 260-10-55-56 continues to include an obsolete reference to an extraordinary item in footnote (k). We recommend that the Board update this Example 3 to remove this reference. The Board could either retain the third-quarter net loss and revise the diluted EPS computation to exclude the contingently issuable shares from the denominator for that quarter or revise the example to reflect positive income in the third quarter. Either approach would allow footnote (k) and its reference to an extraordinary item be removed while preserving the intended illustration.

Question 4: Would any of the proposed amendments require special consideration for certain entities, such as entities other than public business entities? If so, which proposed amendment(s) would require special consideration and why?

We have not identified any proposed amendments that would require special consideration for certain entities, including entities other than public business entities.

Question 5: The proposed amendments in Issue 6 would clarify that the practical expedient and the accounting policy election apply to current accounts receivable and current contract assets arising from transactions accounted for under Topic 606 regardless of whether those assets are originated or acquired by an entity. Do the proposed amendments in Issue 6 improve the clarity and operability of the guidance? Please explain.

We generally agree that the proposed amendments would improve the clarity and operability of the guidance. In paragraph 15 of the proposal, we note that stakeholders questioned whether accounts receivable acquired in asset acquisitions under ASC 805-50 and asset transfers under ASC

860 would qualify for the practical expedient and accounting policy election. However, the proposed amendments in ASC 326-20-30-10A do not address either of those situations as examples. We recommend that the Board consider including those transactions as examples in ASC 326-20-30-10A to further clarify the guidance and address stakeholders' concern.

Question 6: The proposed amendments in Issue 11 would clarify that the guidance in paragraph 710-10-45-1 only applies to a rabbi trust that is not a VIE. Do you anticipate that the proposed amendments would impose significant incremental costs or result in any unintended consequences? Please explain.

As noted in Issue 11, the Codification is unclear whether an entity should evaluate whether a rabbi trust meets the definition of a VIE in accordance with ASC 810 prior to applying the guidance in ASC 710-10-45-1. However, it is our experience that substantially all rabbi trusts meet the definition of a VIE and are consolidated by the sponsor. As a result, the outcome of applying the existing guidance in ASC 710-10-45-1, which requires the sponsor to consolidate a rabbi trust, is generally the same as applying the consolidation guidance in ASC 810.

Because the proposed change is not expected to impact outcomes (i.e., a sponsor's consolidation of a rabbi trust), we believe it could add significant cost without a commensurate benefit. As we noted in our response to the 2025 Agenda Request, determining whether an entity meets the definition of a VIE is time consuming and applying other aspects of the model can be complex. Because some entities currently are not applying the guidance in ASC 810 but are instead consolidating rabbi trusts based on the guidance in ASC 710-10-45-1, we believe the proposed amendments would impose incremental costs on those entities by requiring them to evaluate whether a rabbi trust meets the definition of a VIE and must be consolidated.

We observe that the conclusion reached in EITF Issue No. 97-14, *Accounting for Deferred Compensation Arrangements Where Amounts Earned Are Held in a Rabbi Trust and Invested,* which is the basis for the guidance codified in ASC 710-10-45-1, required all rabbi trusts to be consolidated by the sponsor. Therefore, we believe a more cost-effective approach to clarifying the guidance would be to revise the guidance in ASC 810-10-15-10 to require consolidation of rabbi trusts. Specifically, we recommend moving the content in ASC 810-10-15-10(e) to a new paragraph 810-10-15-10A and revising it as follows (deletions marked through, additions underlined):

> 810-10-15-10A: Paragraph 710-10-45-1 addresses the circumstances in which the accounts of a rabbi trust ~~that is not a VIE (see the Variable Interest Entities Subsections for guidance on VIEs)~~ shall be consolidated with the accounts of the employer in the financial statements of the employer, regardless of whether the rabbi trust meets the definition of a variable interest entity.

We believe this approach would result in substantially the same outcome with significantly less cost.

However, if the Board elects to move forward with the proposed changes, we believe additional clarification is needed. Specifically, we ask that the Board clarify whether the remaining guidance

in ASC 710-10-45-2 through 45-4 regarding EPS would apply only to a rabbi trust that is not a VIE or whether that guidance would continue to apply to a rabbi trust that is a VIE and consolidated under the Variable Interest Entities Subsections of ASC 810.

Question 7: Do you expect that the proposed amendments related to Issue 11 would affect consolidation outcomes (other than disclosures)? Please explain.

As discussed above in our response to Question 6, we generally do not expect the proposed amendments to affect consolidation outcomes. That is, our understanding is that rabbi trusts are typically consolidated whether they meet the definition of a VIE or not.

Question 8: The proposed amendments in Issue 12 are expected to result in more instruments remaining subject to the guidance in Topic 718 (rather than becoming subject to other guidance in GAAP). Do you agree with that change? Please explain.

We agree that the proposed amendments may result in more instruments remaining subject to the guidance in ASC 718. We believe this was the Board's intent as part of the pre-Codification standard in FSP FAS 123(R)-1, *Classification and Measurement of Freestanding Financial Instruments Originally Issued in Exchange for Employee Services under FASB Statement No. 123(R).*

Question 9: Are the proposed amendments in Issue 18 to Subtopic 815-10 for the NPNS scope exception clear and understandable? Would the proposed amendments result in any unintended consequences? Please explain.

We agree that the proposed amendments are clear and understandable and have not identified any unintended consequences.

Question 10: Are the proposed amendments in Issue 19 to the derivatives scope guidance diagram in paragraph 815-10-55-2 clear and understandable? Would the proposed amendments result in any unintended consequences? Please explain.

We agree that the proposed amendments are clear and understandable and have not identified any unintended consequences.

Question 11: To what extent does the derivatives scope guidance diagram in paragraph 815-10-55-2 assist in applying the scope of Subtopic 815-10? Would it be preferable to remove this diagram from the Codification? Would its removal result in any unintended consequences? Please explain.

We do not frequently use the derivatives scope guidance diagram in ASC 815-10-55-2 when applying the scope of ASC 815-10. The diagram is a visual supplement to, rather than a substitute for, the written scope guidance in ASC 815-10-15 and therefore, does not provide incremental guidance. For these reasons, we support removing the diagram from the Codification. If the Board decides to retain the diagram, we recommend dividing it into smaller sections to improve readability.

Question 12: Are the proposed amendments in Issue 20 to Subtopic 815-35 and paragraph 815-20-35-1 clear and understandable? Would the proposed amendments result in any unintended consequences? Please explain.

We agree that the proposed amendments are clear and understandable and have not identified any unintended consequences.

Question 13: Would any of the proposed amendments (other than Issue 20) result in changes to the application of existing guidance that would require transition provisions specific to that proposed amendment? If so, please describe.

If the Board moves forward with the proposed changes in Issue 11, we recommend clarifying that the transition method provided in proposed paragraph 105-10-65-11(c)(1) should be interpreted to mean that the guidance is applied prospectively to new rabbi trusts created by a sponsoring entity rather than prospectively to existing rabbi trusts. Other than that (and Issue 20), we do not believe any of the proposed amendments would result in changes to the application of existing guidance that would require specific transition provisions.

Question 14: An entity would be permitted to apply the proposed amendments (other than Issue 20) prospectively or retrospectively. Are the proposed transition requirements operable, and do you foresee any auditability challenges or unintended consequences? Please explain. If the proposed transition requirements are not operable, please explain what transition method would be more appropriate and why. Would it be more appropriate to require that all the proposed amendments be applied prospectively (with no option to apply retrospectively)?

See our response to Question 13. Other than that, and other than Issue 20, we agree that the proposed transition requirements are operable and have not identified any auditability challenges or unintended consequences. We support giving entities the option to apply the proposed amendments either prospectively or retrospectively.

Question 15: In the period of adoption, an entity would be required to apply the proposed amendments in Issue 20 to Subtopic 815-35 and paragraph 815-20-35-1 using a modified retrospective approach for net investment hedges existing as of the date of adoption that an entity chooses to change from applying the forward method to applying the spot method. 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 agree that the proposed transition requirements are operable and do not expect significant auditability challenges.

Question 16: 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 do not expect entities to need significant implementation time because the proposed amendments primarily clarify existing guidance, correct errors, or make minor improvements. For this same reason, we do not believe a different effective date is necessary for entities other than public business entities. We support permitting early adoption and recommend that an entity electing early adoption apply the proposed amendments as of the beginning of the annual reporting period.