

January 15, 2015

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Proposed Accounting Standards Update – Earnings Per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions**

**(File Reference No. EITF-14A)**

Dear Ms. Cospers:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 28,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

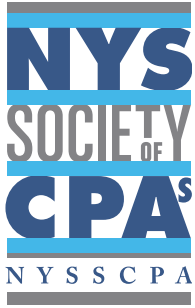
The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Robert M. Rollmann, Chair of the Financial Accounting Standards Committee at (914) 421-5605, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink, appearing to read "S. M. Adair", written over a faint, semi-transparent watermark of the NYSSCPA logo.

Scott M. Adair  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED ACCOUNTING STANDARDS UPDATE –  
EARNINGS PER SHARE (TOPIC 260): EFFECTS ON HISTORICAL EARNINGS PER  
UNIT OF MASTER LIMITED PARTNERSHIP DROPDOWN TRANSACTIONS**

**(FILE REFERENCE NO. EITF-14A)**

**January 15, 2015**

**Principal Drafters**

**Craig T. Goodman  
Sean Matthews  
Margaret A. Wood**

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Ernest J. Markezin  
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# New York State Society of Certified Public Accountants

## Comments on

### **Proposed Accounting Standards Update – Earnings Per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions (File Reference No. EITF-14A)**

#### **General Comments**

We welcome the opportunity to respond to the FASB's invitation to comment on the FASB Exposure Draft, Proposed Accounting Standards Update, *Earnings Per Share (Topic 260): Effects on Historical Earnings per Unit of Master Limited Partnership Dropdown Transactions, a consensus of the Emerging Issues Task Force* (the Proposed Update).

In general, we agree with the Proposed Update except for retrospective application of the proposed amendments. We question whether restatement has value to investors in the limited partnerships investing in a mature master limited partnership, or a master limited partnership that is at or near the end of its life, or in situations in which the dropdown transaction occurred several years ago (*e.g.*, five or more years ago). We also question whether the information necessary for a restatement may be available. See our response to question 4 below.

#### **Specific Comments**

We have the following responses to the questions for respondents in the Proposed Update.

**Question 1: Should the scope of the proposed amendments be limited to entities within the scope of the Master Limited Partnerships Subsections of Topic 260 that retrospectively adjust their financial statements as a result of a dropdown transaction accounted for as a transaction between entities under common control in accordance with Subtopic 805-50?**

**Response:** We agree with the limitation of the scope as discussed in the Proposed Update and above.

**Question 2: When a dropdown transaction occurs that is accounted for as a transaction between entities under common control, should a reporting entity allocate the earnings (losses) of the transferred business to the general partner interest so that no restatement of the previously reported earnings per unit of the limited partners is required?**

**Response:** We agree with the allocation of earnings (losses) to the general partner when a dropdown transaction occurs wherein no restatement of previously reported earnings per unit of the limited partners is required.

**Question 3: Should a reporting entity be required to disclose how the rights to the earnings (losses) of the transferred business differ before and after the dropdown transaction occurs for purposes of computing earnings per unit under the two-class method?**

**Response:** We agree with the disclosure in the period in which the dropdown transaction occurs described above and as proposed.

**Question 4: Should the proposed amendments be applied retrospectively?**

**Response:** We understand the requirement to adjust retrospectively the financial statements for all periods in which common control existed and for master limited partnerships that have had multiple dropdown transactions. However, we question the value to investors in the limited partnerships investing in a mature master limited partnership or a master limited partnership that is at the end of its life for a transaction that occurred 5, 10 or 15 years earlier. We are concerned that the cost and time associated with retrospective application would far outweigh the limited benefits investors would receive from the retrospective application in the situation described above. Also, we question whether the information required for restatement would be available at both the master limited partnership level and the underlying investor limited partnership level, which would also require restatement.

We believe the guidance should provide for an option for retrospective or prospective application. However, if the FASB (“the Board”) adopts retrospective application, we believe the Board should provide relief from retrospective adoption in the situation described above. We believe that whether the Board provides an option or adopts relief from retrospective restatement for the situation described above, disclosure should be required for the election chosen or adoption of the relief and the reason.

**Question 5: How much time would be needed to implement the proposed amendments? Should early adoption be permitted?**

**Response:** If the statement is adopted for years beginning after December 15, 2015, we believe that would be sufficient time for implementation of the proposed amendments. We agree with permitting early adoption.