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September 24, 2021

Via email to director@fasb.org

Ms. Hillary H. Salo, Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: FASB Invitation to Comment – Agenda Consultation (File Reference No. 2021-004)

Dear Ms. Salo:

We are pleased to provide our comments on the Board's Agenda consultation. We support the Board's process to ensure that its resources are properly allocated to improve financial accounting and reporting standards and to address pervasive issues identified by stakeholders.

In general, we do not believe that there is a need for comprehensive new accounting standards, with the Board having completed several major projects in the last few years. Instead, the Board can significantly improve financial accounting and reporting through narrow-scope targeted improvements to existing GAAP or the addition of implementation guidance. We believe the accounting for debt and equity instruments issued to raise capital, as well as certain matters related to intangible assets, warrant the Board's attention in the near term.

Our detailed responses and suggestions to the Questions for Respondents are contained in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Angela Newell at (214) 689-5669 or Adam Brown at (214) 665-0673.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

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Appendix

Note: we have not responded to certain questions posed directly to preparers and users.

Question 1— Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC.

BDO USA, LLP is the sixth largest public accounting firm in the U.S. by revenues, with the fifth largest assurance practice.[1] We audit a large number of both public and private companies of all sizes and industries. As such, our comments reflect that diverse client base.

Question 2— Which topics in this ITC should be a top priority for the Board? Please explain your rationale, including the following:

a) ***Why there is a pervasive need to change GAAP (for example, what is the reason for the change)***
b) ***How the Board should address this topic (that is, the potential project scope, objective, potential solutions, and the expected costs and benefits of those solutions)***
c) ***What the urgency is of the Board completing a project on this topic (that is, how quickly the issues need to be addressed).***

We believe that the following topics should be relatively high priorities for the Board:

<u>Debt amendments -</u> We do not believe the troubled-debt restructuring (TDR) accounting model for debtors in ASC 470-60 provides a significant benefit to users of the financial statements and recommend removing it from the Codification. In this context, we note the Board's recent decision to consider removing the TDR model for creditors that have adopted CECL.

More specifically, we think that aspects of the TDR model do not faithfully reflect the economics of debt, e.g. a borrower is not required to recognize any interest expense following a TDR when the carrying amount of the debt exceeds the total future cash payments specified by the new terms of the payable. Therefore, we believe the Board should simplify the accounting for debt amendments by removing the TDR model and retaining a single accounting model for all debt amendments under ASC 470-50 (the 10% cash flow test). To support this change, the Board may wish to expand the disclosure requirements for entities restructuring debt due to financial difficulties, thereby still providing relevant information to users while reducing the existing complexity associated with this accounting model.

If the Board decides to retain the TDR model for debtors, we recommend aligning the unit of account across ASC 470-50 and ASC 470-60 to reduce complexity and promote comparability. We note the unit of account under the TDR model is each legally-distinct payable whereas the test under ASC 470-50 is performed at the creditor level, regardless of the number of distinct payables. In the context of multiple debt instruments issued and amended over several reporting periods with the same lender, this difference in the unit account can create challenges when certain amendments constitute troubled debt restructurings and others do not. In addition, the TDR guidance refers to "recent" restructurings

[1] As reported by Accounting Today's 2021 Top 100 Firms

without defining that period of time, whereas a one-year bright line is used for "lookback" assessments under ASC 470-50. We see no reason to maintain these inconsistencies.

Internally developed intangible assets – The Board's new project on improving/aligning the accounting for asset acquisitions and business combinations excludes IPR&D. We believe that there is a true value exchange in an asset acquisition and therefore see merit in recognizing IPR&D as a separate asset. For instance, startup companies usually have assets with nominal carrying values (or no assets) in their financial statements but have a significant value resulting from their prior R&D activities that is validated upon an acquisition by a third-party. We do not believe that there should be difference in accounting for IPR&D acquired in a business combination and IPR&D acquired in an asset acquisition. Accordingly, we recommend that the Board revert to the original scope of the project and include IPR&D as part of the new guidance.

Distinguishing liabilities from equity – The accounting for complex financial instruments is one of the most frequently consulted areas in our assurance practice. More generally, this area has been challenging to preparers and auditors for many years. We commend the Board for its recent standards to simplify the accounting for convertible instruments and warrant modifications. In that same vein, we believe additional improvements can be made to ASC 480 and ASC 815-40. Therefore, we support the Board's continued simplification efforts in this area and believe the focus should continue to be on targeted improvements to existing guidance rather than a broader change.

Question 3— Are there topics in this ITC that the Board should not address as part of its future standard-setting efforts? Please explain your rationale, such as there is no pervasive need to change GAAP, the scope would not be identifiable, or the expected benefits of potential solutions would not justify the expected costs.

We do not view materiality considerations for disclosures as an area where there is a need for improvement. This is due to the general principle that the financial statements as a whole are subject to an overall materiality threshold.

We also acknowledge that the nature and scope of non-financial factors collectively referred to as ESG are constantly developing and there is no widely-held consensus on the scope of these matters. Accordingly, we do not believe that there is an immediate need for additional disclosures specific to ESG-related matters and question whether the benefit from providing such information in the audited footnotes will outweigh the related costs for preparers and users. We expect that as time goes by the related issues will become more apparent and the Board could then perform additional outreach in determining whether to introduce new disclosure requirements.

Question 4— Are there any financial reporting topics beyond those in this ITC that should be a top priority for the Board to address? Please describe:

a) The nature of the topic
b) The reason for the change
c) Whether the topic is specific to a subset of companies, such as public companies, private companies, or NFPs, or specific to a certain industry
d) How the Board should address this topic (that is, the potential project scope, objective, potential solutions, and the expected costs and benefits of those solutions)

e) What the urgency is of the Board completing a project on this topic (that is, how quickly the issues need to be addressed).

Expansion of fair value measurements – We believe there may be multiple areas in which the ability to recognize additional assets and liabilities at fair value would be beneficial to users of financial statements, and would encourage the Board to consider narrow scope projects to allow that use. Two areas that we recommend considering are:

1. In its January 2014 meeting, the Board decided to remove from its technical agenda a project on the accounting by certain entities for real estate qualifying as investment property[2]. The objective of this project was to consider whether entities should be provided an option or be required to measure investment property at fair value, in order to align with the IASB. We believe that this industry-related GAAP difference results in unnecessary comparability issues and recommend that the Board recommence this project to provide entities in the real estate industry with the option of measuring investment properties at fair value through earnings each reporting period, consistent with IAS 40, *Investment Properties*.
2. As noted below in our response to Question 12, we believe that allowing the use of the fair value option to account for certain crypto assets may be an achievable improvement. We would also be open to extending the fair value option to certain other assets for which a market value is readily available, such as certain commodities.

Consolidation/accounting acquirer model – The current model for determining which entity is the accounting acquirer in a business combination depends on whether the entity being acquired meets the definition of a variable interest entity. If so, the primary beneficiary is the accounting acquirer and none of the guidance for reverse acquisitions applies. This outcome has been observed recently in connection with so-called special purpose acquisition companies ("SPAC"). For example, an operating company may agree to be acquired by a SPAC in an umbrella partnership – C Corporation ("UP-C") structure in which the operating company's equity holders retain 70% of its units in a newly formed LLC, while the SPAC obtains the remaining 30% in the merger transaction. All of the operating company's management will remain in place upon consummation of the merger, and the operating company's equity holders have the right to nominate a majority of the SPAC's initial board members. As such, if applying the reverse merger guidance in ASC 805-10-55-11 through 55-15, the operating company would be considered the accounting acquirer, resulting in carryover basis. Nonetheless, if the LLC is the functional equivalent of a limited partnership, it will be deemed a VIE and purchase accounting is required. We would encourage the Board to consider a narrow-scope project to determine whether that outcome is appropriate.

We would also support a research project to consider whether it continues to be appropriate to apply two different consolidation models. The distinction between the variable interest and voting interest models continues to be a significant source of complexity, i.e., determining whether an entity is a VIE or not. We would support a project to explore whether a single consolidation model is cost/beneficial. For instance, in one approach, an evaluation of an entity's status as a potential VIE would not be necessary. Rather, an investor in the entity would proceed directly to an assessment of whether it has power and economics to determine whether consolidation is required.

Accounting by entities in the financial services industry – There are multiple areas in current guidance that primarily impact entities in the financial services industry that we believe would benefit from targeted improvements. Specifically:

[2] https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176159043260&acceptedDisclaimer=true

1. Multiple models exist today for accounting for credit enhancements. As a result, small changes in facts that are economically similar can result in vastly different outcomes.
2. Portfolio layer hedge accounting is allowed for assets, but not for liabilities. For financial services entities, this discrepancy can result in counter-intuitive reporting outcomes. We would recommend expanding the use of the portfolio approach to include liabilities.
3. The presentation of activities between operating activities and investing activities on the statement of cash flows for a financial services company often is not meaningful.

Question 5— The objective of this ITC and the related 2021 Agenda Consultation process is to ensure that the FASB continues to allocate its finite resources to standard-setting activities that fulfill its primary mission of improving financial accounting and reporting standards and that are of the highest priority to its stakeholders. Therefore, feedback on the prioritization of projects on the FASB's technical agenda (see Appendix A) would be helpful. Do you have any feedback on the FASB's technical agenda, including the following:

a) Which projects on the FASB's agenda should the Board prioritize completing? Please explain.

b) Which projects, if any, should the Board deprioritize or consider removing from the agenda? Please explain.

c) Which projects, if any, need to be redefined to improve the objective and/or scope? Please explain.

We believe the Board should prioritize the completion of the following projects on its technical agenda:

- Distinguishing Liabilities from Equity Phase 2 – see our response to Question 2.
- Improving the Accounting for Asset Acquisitions and Business Combinations – See our response to Question 2.
- We also support the continued Post-Implementation Review projects.

Question 6— Greater disaggregation and granularity of the types of financial reporting information described in Chapter 1 have been identified as decision useful to investors. The following insights would be helpful to the FASB when considering this area:

a) Investors and other financial statement users—Which, if any, of the areas described in Chapter 1 should be a top priority for the FASB to consider requiring greater disaggregation—on the income statement, the statement of cash flows, or the notes to financial statements? Would this information be most useful in the financial statements or in the notes to financial statements? How would this information be used to analyze a company and make capital allocation decisions?

b) Preparers—What requests or questions does your company receive from analysts on the areas described within Chapter 1? Please explain any requests or questions your company has received.

Although we are neither an investor nor a preparer, we acknowledge the legitimate desire of users to receive additional disaggregated information. However, when considering a new project to require additional disaggregated information, we believe that the Board should consider additional audit-related costs when performing the cost-benefit analysis. For example, determining a scope for a project on ESG-related disclosures might be challenging as this area is constantly evolving and the immediate benefit of providing this information to users is difficult to quantify. We also note that there have been unsuccessful efforts in the past to develop an approach to determine an appropriate

breakdown of items in the income statement between cost of sales and SG&A expenses. In both of these cases, new requirements for additional granularity would result in new challenges and potentially significant incremental audit costs. This includes the cost to audit at a more granular level and to test the completeness of the disclosures, as well as consistency in the application of judgments across multiple reporting periods.

As an example, we would support a narrow-scope improvement to disclose income tax information to better address global tax risk, especially as this information is generally already available to entities and thus likely would not result in significant new cost, yet would provide useful additional information to investors and other users of financial statements.

Question 9— What challenges, if any, are there in applying the guidance on the definition of a derivative and the related derivative scope exception in Subtopic 815-10? Please explain the challenges and whether and how they could be addressed through standard setting.

We acknowledge that there are challenges associated with applying the definition of a derivative in certain circumstances. We believe it would be more helpful if the Board accumulates a comprehensive list of challenges in applying the definition of a derivate and the derivative scope exceptions, and solicit feedback in prioritizing the most pervasive issues that require improvement. Certain challenges that we have observed in applying the definition of a derivative are:

- Contingent call/put options embedded in a debt (or debt-like) host – certain embedded contingent redemption features usually have minimal value (if any) at inception, and their value increases only when a subsequent change of control or liquidity event is no longer remote. Nevertheless, entities and auditors invest significant time analyzing and documenting their bifurcation assessments under the 4-step test, as well as the ‘double-double’ test in ASC 815-15-25-26 through 25-43. If the Board revisited the net settlement guidance in 815-10-15-107 and 15-108 to reconsider whether the exercise of such put/call features represents physical (rather than net) settlement, potential cost savings may be identified. However, we recognize a change of this sort may have broader implications.
- Financial instruments issued in a private investment in public equity (PIPE) offering – the issue is whether the common shares underlying a convertible instrument meet the ‘net settlement’ criterion in the definition of a derivative at inception or only at a later date if/when they are subsequently registered or become tradable under Rule 144.
- Contingent consideration in asset acquisitions – currently, there is a certain amount of diversity in practice when accounting for contingent consideration in transactions that do not qualify as business combinations under ASC 805. These differences arise in connection with the application of ASC 815-10-15-59 and 15-60, particularly when a contract includes multiple underlyings and an assessment of predominance is required. The Board might consider addressing this diversity in practice as part of its project to align the accounting for business combinations and asset acquisitions.

We are supportive of addressing the issues above and similar targeted issues identified as part of the Board’s outreach rather than making significant changes to the GAAP definition of a derivative. We also believe that such changes could be addressed by the EITF or via illustrative examples.

Question 11— Preparers and practitioners—Does your company (or companies that you are involved with) hold significant digital assets, such as crypto assets? What is the purpose of those holdings?

The majority of our clients holding significant investments in digital assets are investment funds accounted for under ASC 946, for which the entity's investments are adjusted to fair value each period. We have not identified significant holdings of these assets or any related widespread issues in other industries at this time.

Question 12— If the Board were to pursue a project on digital assets, which improvements are most important, what types of digital assets should be included within the scope, and should this guidance apply to other nonfinancial assets?

Generally, we question the relevance of accounting for these assets as intangible assets because this model does not seem to capture the economics of such instruments. We also note that the Board has previously decided not to add a separate project on digital assets to its technical agenda, but we believe that it can leverage existing authoritative guidance in GAAP instead of pursuing a comprehensive new project. Specifically, we support expanding the scope of the fair value option in ASC 825-10 to include digital assets with a readily determinable fair value (as well as additional types of assets such as commodities and real estate, see our response to Question 4 above). A fair value option would be more reflective of rapidly-fluctuating asset values over time.

If the Board were to pursue a separate project, we would recommend its scope be narrow and cover common cryptocurrencies for which a market exists with frequent observable transactions that would facilitate reliable fair value measurements, such as Bitcoin and Ethereum. This would avoid the potential complexities of applying a fair value option to all digital assets, including emerging assets and markets that are not liquid. In addition, any proposed guidance should also address subsequent changes to the accounting upon the development of a new market (or cessation of an existing market) for the respective digital asset, similar to "levelling changes" when a security moves in or out of a Level 1 measurement under ASC 820.

Although we note the potential need for guidance on other aspects of accounting for crypto assets, such as derecognition and lending activities, we would support addressing those aspects, as well as accounting for a broader spectrum of crypto assets, in separate, later projects if and when the Board determines they become necessary.

Question 13— Are there common ESG-related transactions in which there is a lack of clarity or a need to improve the associated accounting requirements? Please describe the specific transactions and why standard setting is needed.

We are not aware of any demand for broad new standards related to ESG-related transactions. That said, we are aware of a limited amount of activity for certain renewable energy credits and carbon offsets. While a certain amount of accounting diversity may exist in those instances, such as differences arising from an intangible asset approach vs. an inventory approach, this market activity is still fairly limited in our experience.

We believe the Board should continue to monitor future market activity and legislation to determine whether standard-setting becomes necessary. If so, the Board's approach of developing

representationally faithful and neutral accounting standards will be well positioned to respond. That is, we do not believe any future accounting standards should create incentives or deterrents for market participants in ESG transactions.

Question 14— Are there common financial KPIs or metrics—either widely applicable to all companies or industry specific—that would provide decision-useful information if they were defined by the FASB? Please explain.

We note that financial KPIs and non-GAAP information vary between entities and generally reflect industry-specific and management-driven adjustments, which limits the benefit of providing a 'one size fits all' definition. Moreover, these metrics are usually further adjusted by users of the financial statements and analysts when evaluating the entity's performance. Therefore, we do not believe that defining specific metrics would provide decision-useful information for all industries/entities. However, we would support the development of a disclosure principle for these items, as further discussed below in our response to Question 15.

Question 15— If the FASB were to define certain financial KPIs or metrics, should all companies be required to provide those metrics or should providing those metrics be optional?

We believe that any attempt to define a non-GAAP metric or a KPI will prove to be challenging as these generally vary between entities and industries based on specific adjustments.

If the Board were to pursue this route, we would recommend optional disclosures, given the added complexity of auditing such financial information. Additionally, we would support the development of a disclosure principle applicable only to entities that voluntarily provide such information in order to promote transparency and consistency of the judgments applied by management as well as comparability. To illustrate, such disclosure guidance could require entities to clearly explain the distinction between recurring and non-recurring items, define management-driven (or industry-driven) metrics, explain the adjustments made in each period and include proper reconciliations in periods where the existing metrics were modified by management.

In summary, we do not support a general requirement to disclose information of those metrics, but once an entity chooses to disclose such information, guidance should exist to promote transparency and, to the extent possible, comparability.

Question 16— If the Board were to pursue a project on the recognition and measurement of government grants, should the FASB leverage an existing grant or contribution model (such as the models in IAS 20 or Subtopic 958-605) or develop a new model? If you prefer leveraging an existing model, which would be most appropriate and why? If the FASB were to develop a new model, what should the model be?

See our response to Question 17 below.

Question 17— The FASB has encountered challenges in identifying a project scope that can be sufficiently described for government grants. If the Board were to pursue a project on the recognition and measurement of government grants, what types of government grants should be included within the scope and why (for example, narrow or broad scope)?

We do not believe an entirely new model for government grants is necessary, and recommend that the Board pursue a project that would leverage either of the existing models for government assistance in ASC 958-605 or IAS 20 and apply it to business entities. For example, we would not object to the Board expanding the scope of the existing contribution model in ASC 958-605 to accommodate government assistance provided to for-profit entities. However, we acknowledge that the most important aspect of the distinction between business entities and not-for-profit entities in that regard relates to presentation of the received assistance as other income or revenue, and thus believe the Board would need to provide presentation guidance for business entities.

We also believe that a narrow-scope project that covers government assistance received in cash or other assets would be sufficient. In addition, we recommend that the Board include language in the Basis for Conclusions allowing analogies in the event that it is unclear whether a particular form of government assistance is in the scope of such future standard. For example, the CARES Act provided assistance to entities in the form of tax credits such as the Employee Retention Credits (ERCs), which are outside the scope of the accounting for income taxes in ASC 740.

Question 18— The FASB has encountered challenges in identifying a project scope that can be sufficiently described for intangible assets. If the Board were to pursue a project on intangible assets, what types of intangible assets should be included within the scope and why? Within that scope, should a project on intangible assets be primarily focused on improvements to recognition and measurement or to disclosure?

As noted previously, we recommend aligning the accounting for IPR&D across asset acquisitions and business combinations.

Separately, we believe that any revised/new model for internally developed intangible assets should focus on disclosures rather than on recognition. This is because capitalization requirements may not necessarily reflect the entity's actual progress in its R&D activities and detailed disclosures about efforts made could provide users with a clearer understanding of these activities. In addition, we note that recognizing internally developed intangibles would also require an impairment model for such capitalized assets which would likely add significant cost.

Question 19— What challenges, if any, exist in applying the capitalization thresholds in Subtopics 350-40 and 985-20? What improvements, if any, could be made to the software capitalization guidance to overcome those challenges? Should there continue to be a capitalization threshold when accounting for software depending on whether it is for internal use or whether it is to be sold, leased, or otherwise marketed? Please explain.

We note that the existing cost capitalization guidance is prescriptive, and is modeled after an antiquated development process. That is, the capitalization requirements were initially introduced in GAAP over 20 years ago, and software development processes have evolved significantly since that time.

In addition, we do not believe that there should be different models for software based on its intended future use, consistent with the definition of an 'asset' in the conceptual framework, which does not contemplate the specific manner in which an entity obtains future economic benefits from a resource. In particular, we believe a consistent threshold for capitalization is appropriate. Therefore, we would

support conforming the models for internal-use software and software held for sale, while also modernizing the standard to reflect current development processes and simplifying the model where possible.

Question 20— Should the Board prioritize a potential project on current and noncurrent classification of assets and/or liabilities in a classified balance sheet? If yes, what should be the scope? Please explain.

We see potential benefits in taking on a project to better address the classification of assets and liabilities in a classified balance sheet but do not believe that the Board should prioritize this potential project ahead of other more pressing matters.

Question 21— Should the Board prioritize a potential project to simplify the consolidation guidance in Topic 810? Please explain why or why not. If yes, should the approach focus on targeted improvements or a holistic review of Topic 810?

As noted previously, we recommend exploring whether a single consolidation model can be used. By eliminating the requirement to determine whether an entity is a VIE or not and proceeding directly to the question of power and benefits, much of the existing complexity in ASC 810 could be avoided. Performing outreach to determine the feasibility of a single consolidation model across a variety of industries would be an important first step.

Even if that exercise indicated two models should be retained, we suspect it would provide the Board with more specific input on potential targeted improvements. For instance, assessing whether a fee arrangement is “customary and commensurate” in the context of asset managers can be more straight forward than evaluating a customized “transition services agreement” that was negotiated between two consumer product companies or a management fee charged by a physician practice management entity for services provided to a physicians network entity.

We would be pleased to discuss this concept in more detail with members of the FASB staff.

Question 22— What challenges, if any, exist in accounting for debt modifications in accordance with the guidance in Subtopic 470-50, Debt—Modifications and Extinguishments? Please explain the challenges and how they could be overcome through standard setting.

Generally, we believe the Board should move to a single accounting model for debt amendments, as discussed above in our response to Question 2. If the Board wishes to retain the TDR model in ASC 470-60, we believe it should i) align the unit of account in both models to reduce complexity and confusion, and ii) define the time period associated with “recent” restructurings.

In addition, we note the guidance in ASC 470-50 does not address debt modifications where a conversion feature has been bifurcated from the debt, and whether the bifurcation conclusion changes as a result of the amendment (ASC 470-50-40-11). A project to address those circumstances might be helpful. For instance, ASC 815 indicates a bifurcated conversion feature and the host instruments are effectively separate units of account under GAAP (see ASC 815-15-25-54). Therefore, a change to a conversion option that is bifurcated both before and after the debt amendment might have no impact on the ASC 470-50 analysis, whereas a change to the bifurcation conclusion might be deemed to have

the same effect as adding or eliminating a substantive conversion feature to the debt instrument. This is only one potential approach and others are likely to exist, something that could be deliberated by the EITF.

With regards to the accounting alternative for private companies suggested in the ITC to account for all modifications as extinguishments, we believe it would lead to additional costs for preparers related to the need to determine the fair value of the debt instrument, but would not object to the Board providing such an alternative.

Question 23— Stakeholders noted many challenges in applying the liabilities and equity guidance, but they had mixed views on how the Board should improve the accounting for financial instruments with characteristics of equity. The Distinguishing Liabilities from Equity Phase 2 project is intended to align the two existing indexation models in Topic 480 and Subtopic 815-40. Should the Board continue pursuing this project in its current scope and objective, or does the Board need to reevaluate this project? Please explain why or why not and if the project scope and objective need to be reevaluated, what should the approach be?

Yes. As previously mentioned, we support the Board's continued efforts in simplifying the guidance on distinguishing liabilities from equity and believe that the project should continue under its current scope and objective. Based on our preliminary discussions about this project with the FASB staff, we believe qualitative approaches to assessing indexation will be more operable than quantitative approaches. While it is a different topic, we note the Board's decision in the VIE model several years ago to replace the expected loss assessment (a quantitative approach) with a focus on which party has power and benefits (a qualitative approach), a change we agree continues to be appropriate and effective.

Question 24— How helpful would it be in evaluating disclosure materiality if the materiality guidance in paragraph 105-10-05-06 that "the provisions of the Codification need not be applied to immaterial items" was repeated in the Disclosure Section of each Codification Subtopic? Please explain.

Consistent with our response to Question 3, we do not believe that repeating the materiality guidance in the Disclosure Sections would be helpful, as we consider this notion commonly inferred from the overarching principle on which the financial statements as a whole are prepared. However, if the FASB chooses to make this change, we would not object.

Question 25— Which, if any, of the FASB processes described in Chapter 4 of this ITC could be improved? Please explain your rationale for each, including the following:

a) Why that process needs improvement
b) How the FASB should improve that process
c) What the urgency is of that process improvement.

We believe that the Board should focus on improving and standardizing the transition language included in new guidance. We note that certain recent standards used a single term ("modified retrospective") to describe transition methods with different meanings based on the respective

standard. In addition, some ASUs allow transition in an interim period only at the beginning of the annual fiscal year, while in other ASUs adoption is acceptable in any interim period. While we acknowledge that more complex, far-reaching standards may require the use of more complex transition requirements, a preference for a standardized transition approach with clear and consistent terms would benefit practice.

We also support including the Basis for Conclusions (BC) in the Codification despite the fact that it is nonauthoritative as we consider these insights highly beneficial to preparers of the financial statements and complementary to the accounting requirements. One potential solution would be to include the BC guidance in a separate numbered section in each Subtopic, similar to the manner in which SEC guidance is included in the Codification. If the Board were to include the BC guidance within the Codification, we would also recommend implementing a periodic process of updating outdated BC guidance to ensure that at all times the Board's current understanding is reflected. Conversely, we do not believe that additional FASB materials such as meeting minutes, FASB Q&As and TRG materials should be included in the Codification, primarily because those items are not subject to the same due process as changes to the Codification and related BC guidance receive. However, we would support the establishment of a single repository where these types of materials are archived in order to facilitate access to them.

We agree with the need for a clear and efficient consultation process with the FASB staff and generally support any improvement to the existing process that would accommodate the needs of preparers and auditors. That said, we do not believe that extending the consultation process in the proposed manner would be beneficial as it may lead to unintended consequences of an extensive level of publicly available materials and interpretations, an outcome that the codification process was intended to prevent. Moreover, responses to consultation requests depend heavily on the entity's specific facts and circumstances, which make it difficult to analogize to those conclusions. Therefore, having all of these documents publicly available will not necessarily provide a significant benefit but will definitely require additional resources in order to track and compile this information. Outside of a national office environment at large accounting firms, we suspect most entities will lack the necessary resources to remain abreast of this material.