

February 9, 2016

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)

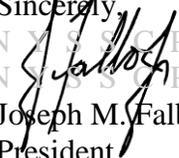
**Re: Proposed Accounting Standards Update—*Government Assistance (Topic 832):  
Disclosures by Business Entities about Government Assistance***

**(File Reference No. 2015-340)**

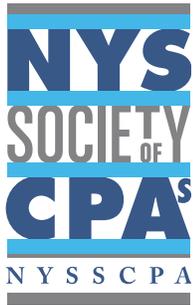
Dear Ms. Cospers:

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 Craig T. Goodman, Chair of the Financial Accounting Standards Committee at (212) 303-1058, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,  
  
Joseph M. Falbo, Jr.  
President

Attachment



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

**COMMENTS ON  
PROPOSED ACCOUNTING STANDARDS UPDATE—*GOVERNMENT ASSISTANCE*  
(*TOPIC 832*): *DISCLOSURES BY BUSINESS ENTITIES ABOUT GOVERNMENT  
ASSISTANCE***

**(File Reference No. 2015-340)**

**February 9, 2016**

**Principal Drafters**

**Craig T. Goodman  
Edward P. Ichart  
Denise Moritz**

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# New York State Society of Certified Public Accountants

## Comments on

### **Proposed Accounting Standards Update— *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance***

(File Reference No. 2015-340)

#### **General Comments**

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on the Proposed Accounting Standards Update – *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance* (Proposed Update).

In general, we are in favor of increasing transparency about government assistance arrangements and eliminating diversity in practice in the form and content of such disclosures. Currently, we have concerns that the proposed changes could create more diversity in practice and could require legal interpretations in both U.S. and non-U.S. jurisdictions. We have concerns about the operability of the proposed changes and we believe that additional outreach needs to be performed to various users and preparers.

Furthermore, there may be additional costs incurred in foreign jurisdictions in which it is difficult or impossible to obtain the necessary information about such arrangements.

#### **Responses to Selected Questions for Respondents**

**Question 1: Do you agree that the scope of the amendments in this proposed Update should be limited to legally enforceable agreements in which an entity or entities receive value from a government. Do you also agree that the scope of the proposed amendments should not apply to transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer? If not, what other types of arrangements should be included in or excluded from the scope of the amendments in this proposed Update? Explain why.**

**Response:** Yes, we agree.

**Question 2: Do you agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance? If not, please explain why and what proposed disclosure requirements you believe should differ. Are there any unique types of**

**foreign assistance that should be considered? If so, explain why and be specific about any unique types of foreign assistance.**

**Response:** Yes, we agree that the proposed disclosure requirements should be the same; however, we recommend that clarification be provided for the meaning of the terms “domestic” and “foreign” as there could be confusion in practice. For example, in situations in which there is a foreign entity reporting under U.S. GAAP, domestic would be the foreign jurisdiction. Alternatively, if there is a U.S. parent and a foreign subsidiary, different interpretations of domestic and foreign could also arise.

It may also be unclear as to what is meant by “unique” in terms of other foreign assistance that should be considered. What is unique in the U.S. may not be unique in other jurisdictions. Government assistance outside the U.S. could likely have different legal and cultural interpretations than government assistance arrangements within the U.S.

**Question 3: Do you agree that the scope of the proposed amendments should not exclude government assistance agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.**

**Response:** Yes, we agree, if this is meant to apply to foreign tax credits, tax benefits, etc., and limited to items within Topic 740.

**Question 4: Do you agree that the scope of the proposed amendments should exclude NFP entities? Alternatively, should any proposed disclosure requirement(s) be applied by NFP entities? If so, specify which proposed disclosure requirement(s) and explain why.**

**Response:** No, we do not agree that the scope of the proposed amendments should exclude NFP entities. We do not believe there is sufficient transparency in the NFP standards pertaining to government assistance. Furthermore, we are supportive of the views noted in paragraph BC11, that “Topic 958 provides limited disclosure requirements and that there is diversity in practice in the accounting for government assistance among NFP entities when distinguishing contributions from exchange transactions.” We also believe NFPs should be subject to the same requirements as other business entities unless the industry calls for very specific accounting requirements in instances in which broad application would be inappropriate.

**Question 5: Are the proposed scope and disclosure requirements operable and auditable? Do your existing information sets and systems, internal controls, and so forth capture the information required to be disclosed by the proposed amendments? If not, which aspects of the scope or disclosures pose operability, auditability, and/or cost issues and why?**

**Response:** No, the proposed scope and disclosure requirements in many circumstances may not be operable and auditable. We believe in certain foreign jurisdictions there could be difficulties or significant challenges in obtaining complete and accurate information about government assistance arrangements.

Furthermore, there could be situations in which legal counsel will be needed, as different interpretations of the legal agreements arise. This may result in significant additional costs for both the company and the auditor, depending on the number of agreements and the jurisdictions or origins of the arrangements. Operability and auditability of what is being required needs to be reconsidered to be functional.

**Question 6: Do you agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item? If not, explain why.**

**Response:** Yes, an entity should be required to disclose the terms of government assistance received even if not recognized in a specific line item in the financial statements. We ask, however, that the FASB clarify what is meant by “Impracticable.” We also recommend that the FASB provide more examples of situations of this nature, as well as situations in which it would be impracticable. Additionally, we recommend the FASB clarify the examples included in the Proposed Update. Those examples are not always conclusive and may be confusing to the practitioner as to why and how they are applied.

**Question 7: For preparers, are there any restrictions (legal or otherwise) that exist in government assistance agreements that would preclude an entity (for example, confidentiality or proprietary reasons) from disclosing the information required by the amendments in this proposed Update? If so, specify what those restrictions are, whether they relate to foreign or domestic assistance, and which proposed disclosures cause concern and why.**

**Response:** Yes, we believe there are restrictions that exist in government assistance agreements that would preclude an entity from disclosing the information required by the amendments in this Proposed Update. We do not believe preparers can provide a “one-size-fits-all” response. Restrictions could originate for a variety of reasons, in both foreign and domestic environments. For example, contracts with a government’s intelligence agencies or departments of defense could have very different restrictions than contracts with state departments or health and welfare forms of assistance.

**Question 8: For users, do you agree that the information required by the proposed amendments would improve transparency about government assistance agreements? Is the information required by the proposed amendments important for your analysis of an entity? If so, specify which disclosures and why. If not, identify the disclosures and explain why. Is there additional information that should be required to be disclosed in the notes to financial statements? If so, be specific.**

**Response:** Yes, we agree. The proposed amendments could improve transparency about government assistance programs provided the Board makes certain necessary clarifications. See our response to Question 2. The information that should be included in the financial statements should be based on the needs of the users. We recommend that the Board consider doing additional outreach to various stakeholders, particularly users and preparers. Some of the proposed disclosures may not be necessary for all entities. The proposed amendments are not

along the lines of an all-purpose approach. However, in reviewing sections 832-10-50, we believe the following should be disclosed:

### **Nature of the Assistance, Related Accounting Policies, and Effect on Financial Statement Amounts**

832-10-50-3 An entity shall disclose the following about existing government assistance agreements to the extent material:

- a. The nature of the assistance, including a general description of the significant categories (for example, grants, loans, or tax incentives) and the form in which the assistance has been received (for example, as a reduction of an expense, a refund of taxes paid, free resources, or a cash grant)
- b. The accounting policy used to account for government assistance (for example, whether assistance is recognized immediately into income or recognized over the life of a related asset)
- c. Which line items on the balance sheet and income statement are affected by government assistance (for example, whether the assistance has been deducted from the carrying value of an asset or presented as a performance obligation liability) and the amounts applicable to each line item
- d. Unless impracticable, the amount of government assistance received but not recognized directly in the financial statements. The amount of government assistance received but not recognized includes value that was received by an entity for which no amount has been recorded directly in any financial statement line item. If impracticable, an entity shall disclose that fact and explain why the disclosure is impracticable. See paragraphs 832-10-55-1 through 55-3 for implementation guidance.

### **Significant Terms and Conditions of the Agreement**

832-10-50-4 An entity shall disclose information about the significant terms and conditions of the agreement. Terms and conditions that might be appropriate include, but are not limited to, any of the following:

- a. The duration or period of the agreement, tax rate or interest rate provided by the agreement, or the effect on the entity's tax or interest rate from the agreement

**Question 9: The proposed amendments would not amend Topic 270, Interim Reporting, to add any specific interim disclosure requirements. Instead, required interim disclosures about government assistance would be limited to material changes occurring since the most recent annual period. Should the proposed amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?**

**Response:** No, the proposed amendments should not include any additional interim disclosure requirements as we agree that limiting interim disclosures about government assistance to material changes is sufficient.

**Question 10: Do you agree that the amendments in this proposed Update should be applied to all agreements (a) existing at the effective date and (b) entered into after the effective date with retrospective application permitted? If not, explain why.**

**Response:** Yes, we agree, although we recommend that the Board provide enough lead-time to gather the necessary documentation, as it could be challenging in certain circumstances, especially for multi-national companies with foreign subsidiaries that receive government assistance.

**Question 11: The proposed amendments would apply to both public business entities and nonpublic business entities (private companies). Should the proposed amendments be different for nonpublic business entities? If so, describe why and how you think they should be different.**

**Response:** No, they should not be different.

**Question 12: How much time would preparers need to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?**

**Response:** We recommend that entities that are not public business entities be given an extra year than that given to public business entities. We also believe that the transition provisions should provide for a minimum of 12 months from the date the Proposed Update is issued to the date it must be adopted due to the information gathering time needed. We believe it would be preferable to adopt at the beginning of each entity's fiscal year, rather than at an interim period.

However, the amount of time needed to implement the proposed amendments could be minimized if the Board makes certain clarifications and provides additional examples and illustrations in the 832-10-55, Implementation Guidance and Illustrations Section. Additionally, we recommend that the Board take a closer look at the proposed examples and illustrations included in Section 832-10-55, as many of them may be made clearer and more conclusive.