December 19, 2013

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

By e-mail: director@fasb.org

Re: Proposed Accounting Standards Update—*Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (a consensus of the FASB Emerging Issues Task Force)

File Reference No. EITF 13-D

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 29,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned exposure draft.

The NYSSCPA's Financial Accounting Standards and Business Valuation Committees 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,

N Y S S C P A

J. Michael Kirkland
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*COMPENSATION—STOCK COMPENSATION (TOPIC 718): ACCOUNTING FOR SHARE-BASED PAYMENTS WHEN THE TERMS OF AN AWARD PROVIDE THAT A PERFORMANCE TARGET COULD BE ACHIEVED AFTER THE REQUISITE SERVICE PERIOD* (A CONSENSUS OF THE FASB EMERGING ISSUES TASK FORCE)

File Reference No. EITF 13-D

December 19, 2013

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Michael D. Kasperski
Joseph Montero
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From the Business Valuation Committee:

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New York State Society of Certified Public Accountants

Comments on

Re: Proposed Accounting Standards Update— *Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (a consensus of the FASB Emerging Issues Task Force)

File Reference No. EITF-13D

We welcome the opportunity to comment on the Financial Accounting Standards Board's (the Board) Proposed Accounting Standards Update – *Compensation–Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved after the Requisite Service Period*, a consensus of the FASB Emerging Issues Task Force (the Update).

General Comments
We believe that this topic should be included in the Private Company Council's deliberations of stock compensation. Our responses to the Questions for Respondents are presented below.

Question 1 – Do you agree that a performance target that could be achieved after the requisite service period should be treated as a performance condition that affects vesting?

Response: We agree that a performance target that could be achieved after the requisite service period should be treated as a performance condition that affects vesting. We also believe that if a performance target meets the definition of a performance condition under current standards, it would seem inconsistent to account for a performance target based on the nature or type of the underlying performance targets. This treatment would simplify valuation as of the award date of the share-based compensation. Separate calculations would not need to be done for those employees retiring prior to the estimated performance target date. By using the performance target as a performance condition, compensation cost would not be recognized for performance targets that may have a "more likely than not" expectation of achievement, thereby, reporting more accurate financial results.

Question 2 – Are there circumstances in which a performance target that could be achieved after the requisite service period should be treated as a non-vesting condition?

Response: Yes, a performance target that does not meet the probable standard can still be achieved: for example, a target that meets the "more likely than not" standard. We agree that targets that are not probable but are "more likely than not" should be treated as a non-vesting condition if the service period and the date of achievement are relatively the same.

Question 3 – The amendments in the proposed update do not require any incremental disclosures for share-based payments in which a performance target could be achieved after the requisite service period. Should incremental disclosures be required for those awards?

Response: Yes, incremental disclosures should be provided until all periods presented contain the new standard if the impact on the previously issued awards can be reasonably measured and is material. Presentation of comparative financial results and the impact of this change on expense and the financial results should be understandable to the user of the financial statements.

Question 4 – Do you agree that the proposed amendments should be applied prospectively to all share-based payments granted or modified on or after the effective date? Should early adoption be permitted? Under the proposed update, retrospective adoption would not be allowed. Should retrospective adoption be allowed?

Response: We agree that proposed amendments should be applied prospectively to all share-based payments granted or modified on or after the effective date and that early adoption should be permitted.

We believe that retrospective adoption should not be permitted. The information required for retrospective adoption might not be available for all grants that might require restatement. For those grants for which information is available, additional discussion and possible confusion could occur related to the estimates about what information was known versus what should or would have been known about performance target achievements. This could cause diluted results with very little relevance and meaning.

If incremental disclosure was provided for the impact on previously issued awards that can be reasonably measured, the same information could be provided without the need to restate previously issued financial statements.

Question 5 - The proposed amendments would apply to public and non-public entities. Should the proposed amendments be different for non-public entities?

Response: As stated in our General Comments above, we believe that the Private Company Council should include this topic in its deliberations of stock compensation. Subject to review by the Private Company Council of stock compensation, we believe that this amendment should be adopted by both public and non-public entities.

Question 6 – What is the level of effort and time needed to implement the proposed amendments?

Response: The level of effort and time is directly proportionate to the level of complexity of the share-based payments and future performance targets. Absent empirical evidence to the contrary, it would seem reasonable to believe that the awards that would be affected by this exposure draft would be only a subset of an already existing portfolio of share-based awards. Therefore, the level of effort and time needed to implement them would not be significant, if it is agreed that the performance conditions described throughout the exposure draft would only affect vesting.