NYS SOCIETY OF CPAs
NYSSCPA

October 17, 2016

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

By e-mail: director@fasb.org

Re: Invitation to Comment—*Agenda Consultation*

(File Reference No. 2016-290)

Dear Ms. Cosper:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned comment invitation.

The NYSSCPA's Financial Accounting Standards Committee deliberated the comment invitation 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) 324-7048, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

F. Michael Zovistoski
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

INVITATION TO COMMENT—*AGENDA CONSULTATION*

(File Reference No. 2016-290)

October 17, 2016

<u>Principal Drafters</u>

Craig T. Goodman
Jeffrey A. Keene
Margaret A. Wood

NYSSCPA 2016–2017 Board of Directors

NYSSCPA 2016–2017 Accounting and Auditing Oversight Committee

NYSSCPA 2016–2017 Financial Accounting Standards Committee

NYSSCPA Staff

New York State Society of Certified Public Accountants

Comments on

Invitation to Comment—*Agenda Consultation*

(File Reference No. 2016-290)

General Comments

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) Invitation to Comment—Agenda Consultation.

We are supportive of the Board soliciting the thoughts of a broad constituency of financial statement preparers, users and auditors in setting its Agenda Consultation. We would also like to see the Board develop an open protocol for the ongoing submission of additional topics for agenda consideration. We believe this protocol should include identification of the submitter and reason(s) as to why the topic should be considered. We have found in the past that topics have been proposed for consideration, and while such topics may benefit certain groups of financial statement users, they frequently place an unnecessary cost and burden on other financial statement preparers. Similarly, accounting topics are routinely discussed by practitioners in the field, but those topics have a long path to travel before being raised at the FASB level. We respectfully suggest that the Board develop an accessible mechanism for practitioners and users to submit agenda topics for Board consideration.

Specific Comments

We have the following responses to the questions posed in the Invitation to Comment (ITC).

Question 0.1: Are there major financial reporting issues that are not considered in this ITC that should be addressed by the FASB before any of the issues discussed in the ITC are addressed? What are the considerations or criteria that you used to identify these issues? Please describe any of those issues and your perspective about how the FASB should resolve the issues.

Response: Looking at the question from the perspective of the whole, the most significant financial reporting topic we identified as a major financial reporting issue is the relevance, importance and clarity of the current disclosure requirements. In today's Internet and instant information environment there is a lot of general discussion around what information users of financial statements are looking for including what is considered relevant in the notes to the financial statements. Conversely, many question how much of the information currently required by GAAP has either become boilerplate in nature or is not considered relevant by many financial statement users. We suggest that the Board conduct an empirical study across a diverse population of financial statement users in order to objectively understand what information the users feel is necessary, why it is necessary, and in what form this information could be better presented.

Question 0.2: What is your view about the priority of addressing the major financial reporting issues addressed in this ITC? In other words, is addressing one or more of the issues more critical than others? Please describe your assessment criteria and why you prioritized certain issues above others.

Response: In our view, the topic Distinguishing Liabilities from Equity is the highest priority issue discussed in the Agenda Consultation. The topic needs an updated framework for analysis and potentially has the most wide-reaching impact on financial statement users and preparers. Financial instruments are one of the more complex accounting topics for users of financial statements to understand. The current literature is a compendium of guidance developed over time and needs to be revised and updated to be relevant and responsive to today’s economic environment and financial instrument products. As we have commented on in elsewhere in this letter, there are topics in the Agenda Consultation which we believe are not as wide-ranging, may require additional research and clarification, or are not compelling enough for the topic to be considered at this time.

Question 0.3: Is it necessary to resolve one or more of the issues before resolving others? In other words, is the resolution of any of the issues dependent upon the resolution of one or more other issues? Please identify any of the projects that should be completed before others and why.

Response: Both topics—Pension Issue 1 and Other Comprehensive Income—address the eventual reclassification into net income of gains and losses that were initially recorded in other comprehensive income. We observed that both sections reference that the Conceptual Framework does not include this notion. The broader issue of recording items in Other Comprehensive Income and reclassification adjustments to net income should be addressed first. After the broader issues are addressed and resolved, then Pension Issue 1 should be addressed along with Other Comprehensive Income. Except for these items, we have not identified any dependencies or sequencing issues in the agenda topics.

Topic-Specific Questions for Respondents—Intangible Assets (including Research and Development)

Question 1.1: Is the accounting for intangible assets (including research and development) a major financial reporting issue that the FASB should consider for improvement? Please explain why.

Response: We believe that the accounting for intangible assets (including research and development) is a major financial reporting issue that along with other major financial reporting topics should be periodically assessed for relevance as the needs of financial statement users evolve within the context of a changing economy. However, given the current lack of an overall framework for the recognition and measurement of internally generated intangible assets we believe that the FASB should conduct additional research on this subject, including identifying why a change from current guidance would be considered an improvement and to whom. Identifying the cost of acquired intangible assets is fairly straight forward. Identifying the components and cost of internally generated intangible assets is a less precise area and subject to management estimates and abuses. The potential for divergence in practice and lack of comparability also becomes greater. Therefore, the practicality, cost and auditability are factors that need to be considered. We believe this question deserves further research and the results of that research should be analyzed before bringing the topic to the Board's agenda.

Question 1.2: If yes, should the issue be addressed broadly for all intangible assets or should it first be addressed for a subset of intangibles (for example, research and development)? Please explain why.

Response: See our response to Question 1.1.

Question 1.3: Which approach to addressing the issue is appropriate, considering the benefits and costs of each approach and why? If you recommend a recognition approach, please explain your view about (a) the threshold for recognizing the asset and (b) the measurement of the asset (cost or fair value). If you recommend a disclosure approach, please explain the disclosure objective and recommend what specific information should be disclosed. If you recommend an approach to adopt IAS 38, please explain any implementation concerns.

Response: See our response to Question 1.1.

Question 1.4: Recognition of an intangible asset if a threshold is met and measurement of that asset at fair value would likely result in (a) a gain in the period in which the asset initially is recognized and (b) gains or losses in each period for the change in the fair value of the asset. How should those initial and subsequent gains and losses be presented in the income statement?

Response: See our response to Question 1.1.

Topic-Specific Questions for Respondents—Pensions and Other Postretirement Benefit Plans

Question 2.1: Is the accounting for pensions and other postretirement benefit plans a major financial reporting issue that the FASB should consider for improvement? Please explain why.

Response: We agree that both Issue 1–Delayed Recognition (Smoothing) in Earnings and Issue 2– Measurement of Defined Benefit Obligation need to be addressed, but we do not feel that these are major issues that should take priority over addressing the topic Distinguishing Liabilities from Equity. In addition, we believe that Issue 1 should be addressed as part of the project on Other Comprehensive Income or after the project on Other Comprehensive Income is completed. As addressed in paragraph 4.53, there is no conceptual basis for classifying items in Other Comprehensive Income and there is no concept in the Conceptual Framework supporting the notion that all gains and losses recognized in accumulated other comprehensive income should eventually be recognized in net income at some point in time. Reclassification adjustments should be addressed and resolved first and then Issue 1 on Delayed Recognition (Smoothing) in Earnings should be addressed.

Issue 1- Delayed Recognition (Smoothing) in Earnings

Question 2.2: Would Alternative A (see paragraphs 2.15-2.16) and/or Alternative B (see paragraph 2.17-2.19) improve the usefulness of financial information provided to users and be operable?

Response: Both Alternative A and Alternative B would improve the usefulness of the financial information provided, and Alternative A is preferable. However, as stated in our response to Question 2.1, Issue 1 should be addressed either together with or after the project on Other Comprehensive Income is completed. The Alternative selected should be consistent with the conclusions reached in the Other Comprehensive Income project.

Question 2.3: If you support Alternative A (convergence with IAS 19), would you recommend any modifications to IAS 19 or would you expect any implementation issues? Please explain why?

Response: We would not recommend any modifications to IAS 19 and would not expect any implementation issues.

Question 2.4: Are there any other approaches to consider for addressing the issue of delayed recognition in earnings? If so, please provide them in sufficient details so that the FASB can consider your proposal(s).   Please provide your rationale for why your proposal provides users of financial statements with more useful information.

Response: We have no other approaches for addressing the issue of delayed recognition in earnings.

Issue 2-Measurement of Defined Benefit Obligation

Question 2.5: Is the current measurement of defined benefit obligation appropriate? If not, what changes do you suggest and why (for example, what characteristics of plans are not adequately reflected in the current measurement of the benefit obligation)?

Response: We agree that there is diversity in practice and that the addition of hybrid plans has complicated the issue. Part of the issue is that interest rates have been unusually low during the last eight years. Although the alternatives address the problems, we agree that the issue requires additional research and study.

Potential Path Forward

Question 2.6: What approach (that is, targeted improvements or comprehensive reassessment) would you recommend and why?

Response: Our recommendation is for a comprehensive reassessment of pension and other postretirement benefit plan accounting, starting with fundamental changes in financial reporting for plan assets and defined benefit obligation in the statement of financial position, rather than addressing issues in a piecemeal approach.

Question 2.7: Are there other issues for pension and other postretirement benefit plan accounting that should be considered for improvement?

Response: No, however, we believe if a comprehensive reassessment of pension and other postretirement benefit plan accounting, including hybrid plans and annuities occurs, other issues may be identified.

Topic-Specific Questions for Respondents—Distinguishing Liabilities from Equity

Question 3.1: Is the accounting for distinguishing liabilities from equity a major financial reporting issue that the FASB should consider for improvement? Please explain why. In making your assessment, what criteria were used (for example, is the issue not sufficiently addressed in current GAAP, or is it addressed in a way that makes compliance costly or creates diversity in practice because the guidance is conceptually or economically flawed)?

Response: In our view, the accounting for distinguishing liabilities from equity is a major financial reporting issue the FASB should consider for improvement.

First, the accounting literature is a compendium of guidance developed over time to respond to ever changing financial instruments which has resulted in a complex model to apply. In accounting for these financial instruments, reporting entities need to continually recycle through the model to ensure that all relevant terms are considered and to ensure that terms from previously issued financial instruments are properly considered in the currently evaluated transaction. For example, a warrant instrument that would otherwise qualify as equity would be classified as a liability if there were another instrument that could be settled in an indeterminable number of shares. Additionally, important terms, such as registration rights and the obligation to deliver in registered shares, are often included in agreements separate from the financial instrument, such as a registration rights agreement, securities purchase agreement or side letter. As the inclusion of these terms is not uniform, the potential for an erroneous conclusion is magnified.

Second, the cost of valuing these financial instruments, particularly liability classified financial instruments that require remeasurement at each balance sheet date, can be very high as the model used to value the instrument may not be widely available—Monte Carlo Simulation compared to a Black-Scholes-Merton Option Pricing Model. Accordingly, the reporting entity either has to invest in expensive software or outsource the valuation to a third party and likely incurs incremental audit fees in connection with the completion of the audit.

Third, the accounting literature uses a very strict standard in permitting an instrument to be classified as equity; in certain guidance, it explicitly restricts the reporting entity from considering the probability of determinative events occurring in evaluating the classification of the financial instrument. As a result, financial instruments where the settlement in anything other than shares is theoretically possible but remote are classified as liabilities and marked to market with adjustments recorded within the income statement. These adjustments move inversely to the reporting entity's value and, as a result, if the value increases significantly, there is an inverse increase in expense. Conversely, if the value declines, the reporting entity will record income and, potentially, net income. Nothing seems more economically flawed than the value of the reporting company declining that then triggers income recognition.

In our experience, reporting entities that issue these instruments are either facing severe financial issues or are development-stage entities that do not have the established cash flows to obtain traditional debt or equity financing. Further, these entities have limited resources that limit their ability to properly evaluate the terms of the agreement; a change to registration rights to require the use of best efforts would eliminate a term that would otherwise cause the financial instrument to be classified as a liability. The costs to comply with the initial and periodic reporting are significant especially when compared with the limited starting resources.

Question 3.2: Is the issue of distinguishing between liabilities and equity a financial reporting issue that requires a holistic approach to resolve as opposed to targeted improvements? Please explain why.

Response: A holistic approach would appear necessary. First, the FASB should consider if it wishes to maintain a model that only permits equity classification to instruments that are absolutely equity to continue. An empirical study would help support how often financial instruments, classified as liabilities because of a remote chance they will be settled in cash or assets, are actually settled in cash or assets. Second the FASB should consider if it wishes to maintain a model where the change in value of the reporting entities value translates to reporting income or expense in the income statement. An alternative model where the financial instrument is not recorded in equity, but not recorded at fair value until redemption, is probable and could be acceptable.

Ultimately, with relevant guidance fragmented between liability standards, equity standards and derivative standards, along with the impacts to earnings per share, it's difficult to see how a targeted approach could resolve the relevant concerns. We believe that a holistic approach would result in a refined standard that is more clearly and easily applied, that does not require significant initial or ongoing costs, but continues to maintain adherence to the spirit underlying GAAP.

Question 3.3: Are there other alternatives for simple instruments that the FASB should consider for resolving the issue of distinguishing between liabilities and equity? If so, please provide the alternatives in sufficient detail such that the FASB can consider your proposal(s). Please provide your rationale for why your proposal provides users of financial statements with more useful information.

Response: We believe Alternative B is appropriate to classify simple instruments as equity as it does not apply a strict interpretation of equity, only permitting perpetual instruments to be classified as equity, and appears to be based on the potential definition, to capture more instruments as equity that were intended to be equity. We believe Alternative A is too strict a definition and therefore results in financial instruments that were clearly intended to be equity instruments classified as liabilities thereby distorting the accounting from the economic substance of the transaction.

Question 3.4: Are there other alternatives for addressing the financial reporting issues with conversion options in complex instruments that the FASB should consider? If so, please provide sufficient detail such that the FASB can consider your proposal(s). Please provide your rationale for why your proposal provides the users of financial statements with more useful information.

Response: Reporting entities typically issue complex debt instruments with a conversion feature because their cost of capital is too high to be reasonably paid in periodic cash payments. We believe that complex instruments with a detachable conversion feature, as described in Alternative B, should be accounted for separately as debt and equity transactions, consistent with the current guidance. Complex instruments with an embedded conversion feature should be evaluated to determine if it's more than a remote possibility that the conversion feature will be settled in cash or other assets. If so, the conversion feature should be bifurcated and separately valued. If not, the intrinsic value of the conversion feature should be recorded within equity with an offset to debt discount. Frequently, such complex convertible instruments contain down-round or anti-dilution protections which are only triggered if the reporting entity has a future equity raise at a value less than the current debt conversion rate. We believe that these changes should be accounted for similarly to changes in convertible preferred stock conversion rates in the current guidance, and only recorded when provided and only recorded at the intrinsic value, and that the adjustment should be recorded as additional interest expense.

Question 3.5: Considering the alternatives described for simple instruments, which alternative provides more useful information to the users of financial statements and why?

Response: We believe Alternative B would provide more useful information to the users of the financial statements. It would classify more economically substantive financial instruments as equity and therefore limit the occurrences of these instruments classified as liabilities with the necessary marked-to-market process that results in charges or benefits recorded to the income statement.

Question 3.6: Considering the alternatives described for complex instruments, which alternative provides more useful information to users of financial statements and why?

Response: In evaluating public business entities, we believe Alternative A (bifurcate all conversion options from the host contract) is more preferable than Alternative B because it better reflects the economics of the transaction. Alternative B would only value the incremental equity benefit if the conversion feature were separate, which we believe is too narrow. If Alternative B were adopted, we would have concerns about public business entities manipulating the conversion feature to significantly reduce interest expense and, therefore, not reflecting the economic value of the transaction, while the counterparty would be able to settle its claims by exercising the conversion feature. For reporting entities without a liquid market, we believe Alternative B could be preferable because the conversion feature is less likely to entice the counter-party to reduce the interest rate because of lack of an opportunity for liquidity unless a liquidation event occurred. Further, without a liquid market, the determination of fair value of the underlying stock is not as easy to identify.

Question 3.7: Which provides more useful information to the user of financial statements: remeasuring liability classified instruments at fair value or at intrinsic value? Please provide the rationale for your choice.

Response: We believe the use of the intrinsic value is generally appropriate when valuing derivative financial instruments as this represents the economic effect should the counter-party exercise their right embodied in the instrument at the balance sheet date. Also, it would reduce the volatility to earnings as the adjustment in value would not reflect the effect of volatility on the time value of the contract. The only time using the intrinsic value would not be appropriate would be if the arrangement required settlement at fair value of the instrument and not the value of the underlying stock.

Question 3.8: Are there instances in which the remeasurement of liability-classified instruments at each reporting period is not useful? If so, which instances and why?

Response: We believe that only financial instruments that have more than a remote probability of being settled in cash or other assets should be classified as liabilities. Under this scenario, remeasuring the liability to fair value is appropriate. If a more strict application of equity classification is applied, such as that described in Alternative A of the Simple Instruments, then liability classified instruments should not be revalued at fair value if settlement in cash or other assets is deemed remote. We believe that adjusting the liability classified instruments to fair value is appropriate when cash settlement is possible. Doing so for instruments that are remote is not meaningful, costly and is distortive to the underlying substance of the transaction.

Topic-Specific Questions for Respondents—Income Statement

Question 4.1: Is income statement presentation a major financial reporting issue that the FASB should consider for improvement? Please explain why. In making your assessment, what criteria were used?

Response: As discussed in response to question 0.2, Distinguishing Liabilities from Equity is the highest priority issue discussed in the Agenda Consultation. The income statement presentation is not the highest priority but should be considered for improvement. As noted in the Agenda Consultation, many users follow SEC guidance for income statement presentation. The FASB should be the source for guidance on the income statement presentation, not the SEC. The SEC guidance is designed for public companies only and is not considered authoritative guidance for private companies.

Question 4.2: How should the components of net income be categorized, if at all? If the FASB were to develop an operating activities category and display a subtotal for operating income, how should the category be defined or described?

Response: A starting place could be the SEC regulations on income statement reporting. FASB has already defined operating activities in the master glossary. Although the definition was designed for cash flow statements, this definition should be a starting point for defining the operating activities category.

Question 4.3: Could an operating activity category be defined or described consistently and effectively for all types of reporting entities (for example, entities involved in financial services, investing, banking and financing)?

Response: A general definition of operating activity could be effective. The second sentence of the definition in the master glossary could be a starting place: "Operating activities generally involve producing and delivering goods and providing services." This sentence applies to manufacturers; service companies; and financial services, including banks, insurance, investing and financing companies. However, the activities that make up the operating cycles will vary by industry and entity. Although examples for various industries would be provided, not all of the possibilities will be included in the examples. There will still be differences. The more detailed the examples the closer we get to rules-based financial statements. Users and financial statement preparers are more comfortable with rules-based standards than with principles-based standards.

Question 4.4: How should the FASB evaluate the benefits of a standardized definition versus a management determination of an entity's operating activities?

Response: The current format and composition of the income statement, both single step and multi-step, are well understood by preparers, users and auditors of financial statements. In those situations where operating activities are sufficiently different in nature such as considering investing activities as operating activities as one would with investment companies; those differences have been addressed in current GAAP or industry practice.

The Board could consider describing in greater depth the characteristics and nature of operating income. However, we do not believe this will result in any significant change to current practice. For any particular reporting entity, management's application of such expanded guidance to a set of facts and circumstances will still be the determinant of whether an activity is considered to be operating.

Question 4.5: Which, if any, of the three alternatives described for combining or separating items provides more useful information to users of financial statements, and why?

Response: Alternative A is closer to a principle, than Alternative B. Alternative A would not provide consistency between companies but would be reflective of how management views the companies and manages the company. Users will prefer Alternative B. Alternative B will provide more consistent information that will make modeling and analysis easier. Alternative C may be the easiest alternative to develop a standard, but will not address the issues of comparability and consistency.

Question 4.6: Are there other alternatives for presenting lines within the income statement that the FASB should consider?

Response: We have not identified any other alternatives for presenting lines within the income statement.

Topic-Specific Questions for Respondents—Segment Reporting

Question 4.7: Is segment disclosure a major financial reporting issue that the FASB should consider for improvement? In making your assessment, what criteria were used?

Response: As discussed in response to question 0.2, Distinguishing Liabilities from Equity is the highest priority issue discussed in the Agenda Consultation. The segment disclosure is not a priority for improvement. As noted in the Agenda Consultation, Statement 131 is effective. The request by financial statement users for a table to make it easier to tie information presented in segment reporting to the consolidated financial statements is not a priority but is something that would make their analysis easier. We believe that segment reporting should not be expanded to include information not reviewed by the chief operating decision maker (CODM) in managing the entity.

Although not addressed in the issues discussed on segment reporting, the scope of segment reporting should remain unchanged, be applicable to all public entities, and be suggested but not required for all other entities.

Question 4.8: Considering the three alternatives described for improving aspects of the Topic 280 disclosure requirements, which, if any, alternative provides more useful information to the users of financial statements and why?

Response: Alternative A would provide users with the addition of certain line items requested by the users for disclosure in segment reporting if reviewed by the CODM. However, Alternative C would provide the most information for users. The table would include all the line items of the financial statements, the information by segments for each line item reviewed by management and reconciliation to the consolidated financial statements. The information would be tagged by XBRL, which can be downloaded by users for analysis with the least amount of additional work required by them.

Question 4.9: Would the described improvements to (a) reexamine the aggregation criteria and (b) apply the segment standard from a governance perspective provide more useful information to users of financial statements and why?

Response: The user community is seeking consistency. Businesses are constantly changing and are not consistent from year to year or period to period over a long period of time. As markets and conditions change, businesses change. Businesses close or dispose of operations or locations; acquire businesses; open new operations; and restructure to be more efficient and respond to market conditions. Most businesses are not static. A reexamination of the aggregation criteria might provide more useful information to the user community, but we are not sure that the benefit would exceed the time and cost to rewrite the standard, and the time and cost to implement the standard.

If the goal of users is to obtain more consistent information, then we agree that the governance standard may provide more consistent information. However, if the goal of the users is to obtain more information than the governance standard, that would result in less segment information being provided.

Question 4.10: Are there other alternatives for improving segment reporting that the FASB should consider? If so, please provide them in detail to help the FASB in considering your proposal (s). Please provide your rationale for why your proposal providers users of financial statements with more useful information.

Response: We have not identified any other alternatives for improving segment reporting.

Topic-Specific Questions for Respondents—Other Comprehensive Income

Question 4.11: Is the presentation of other comprehensive income a major financial reporting issue that the FASB should consider for improvement? In making your assessment, what criteria were used?

Response: As discussed in our response to Question 0.2, Distinguishing Liabilities from Equity is the highest priority issue discussed in the Agenda Consultation. The presentation of other comprehensive income is a major financial reporting issue and should be addressed before or together with Pension Issue 1 Delayed Recognition (Smoothing) in Earnings. Both issues address reclassification adjustments.   This issue should be addressed in Other Comprehensive Income and then Pension Issue 1 should be addressed based upon the resolution or conclusions reached as part of the Other Comprehensive Income project.

Question 4.12: Considering the two alternatives described for minimizing the use of reclassification adjustments, which alternative provides more useful information to the users of financial statements and why?

Response: Both Alternatives would require research and review of the basis for triggering a reclassification adjustment. Alternative A would be more comprehensive and address the items currently causing confusion for users of the financial statements. Alternative B would address the basis for reclassification only on a project-by-project basis when improvements are undertaken. Alternative B does not appear to be addressing the confusion expressed by the users of the financial statements.

Question 4.13: Do the described improvements to (a) remove the option for presenting comprehensive income over two statements and (b) emphasize other earnings per share

measures improve the relevance of the performance information included in other comprehensive income?

Response: We do not believe eliminating the option for presenting comprehensive income over two statements will improve the relevance of the performance information included in other comprehensive income. Furthermore, preparing a single statement would be confusing for entities with non-controlling interests, where both the controlling interest and non-controlling interest have other comprehensive income.

We agree that the presentation of total comprehensive income and total comprehensive income per share may improve the relevance of performance information. However, we believe this determination should be made after the work is completed on the treatment of reclassification adjustments, including research, review and decisions made on how to treat reclassification adjustments.

Question 4.14: Are there other alternatives for improving the relevance of other comprehensive income that the FASB should consider? If so, please provide describe them in detail to help FASB in considering your proposal (s). Please provide your rationale for why your proposal provides users of financial statements with more useful information.

Response: We have not identified any other alternatives for improving other comprehensive income.

Topic-Specific Questions for Respondents—Cash Flow Statement

Question 4.15: Is the presentation of cash flows a major financial reporting issue that the FASB should consider for improvement? In making your assessment, what criteria were used?

Response: We believe the presentation of cash flows is not a major financial reporting issue that the FASB should consider for improvement at this time. The current guidance for the presentation of cash flows is well understood by financial statement preparers, users and auditors.

Question 4.16: Do you recommend that the FASB retain or reconsider the three-category structure and the definitions of operating, investing, and financing activities within the statement of cash flows?

Response: We believe the FASB does not need to address the three-category structure at the present time. See our response to Question 4.15.

If the* FASB *Maintains the Current Three-Category Structure and Definitions:

Question 4.17: What specific cash flows should be disaggregated in the future that are not being disaggregated today and is that disaggregation feasible?

Response: We do not believe any additional cash flows need to be disaggregated.

Question 4.18: What specific cash payments and receipts are in need of additional classification guidance?

Response: We would ask the Board to provide additional guidance about when cash flows can be presented net and when cash flows should be presented gross.

If the* FASB *Reconsiders the Current Three-Category Structure and Definitions:

Question 4.19: How should the cash flow statement be categorized, if at all? Considering the three alternatives that would reconsider the current structure of the cash flow statement, which, if any, alternative provides more useful information to users of financial statements and why? How should the FASB define or describe those categories?

Response: See our response to Questions 4.15 and 4.16.

Question 4.20: How should the FASB evaluate the benefits of a standardized structure versus a management determination to classification of cash flows?

Response: See our response to Questions 4.15 and 4.16.

Question 4.21: If you prioritize a standardized structure and recommend an operating activities category, how should the Board evaluate the benefits of aligning the description or definition of that category across the income and cash flow statements?

Response: In our view, the characteristics of operating activity should be consistent for both the income statement and the cash flow statement.

Question 4.22: Are there other alternatives for improving the cash flow statement that the FASB should consider? If so, please describe in detail to help the FASB in considering your proposal(s). Please provide your rationale for why your proposal provides users of financial statements with more useful information.

Response: We have not identified any other alternatives for improving the cash flow statement.