



August 2, 2013

Ms. Susan Cospers  
Technical Director  
File Reference No. 2013-240  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the proposed Accounting Standards Update, *Technical Corrections and Improvements Related to Glossary Terms* (the "proposed update").

We support the board's efforts to clarify the Master Glossary of the Codification. Except for the two matters described below, we agree with the changes included in the proposed update and believe they meet the board's objective to improve the Codification.

We do not agree with the proposal to replace the term "fair value" in ASC 718, *Compensation-Stock Compensation*, and in ASC 505, *Equity*, with the term "share-based payment value" without also modifying the related definition. The term "fair value," as currently used in those topics, describes the measurement attribute for compensation cost of share-based awards, the specific measurement guidance for which is further described in ASC 718. As that guidance predates the broader fair value measurement guidance now codified in ASC 820, *Fair Value Measurement*, it was never intended to have the same general meaning as the term "fair value" used in ASC 820. Accordingly, rather than rename the term "fair value" in ASC 718 and ASC 505, we recommend the board delete the term "fair value" from the Master Glossary that originates from the issuance of FASB Statement No. 123 (revised 2004), *Share-Based Payment* (FAS 123R).

Alternatively, the board could replace the term "fair value" in ASC 718 and ASC 505 with the term "share-based payment value," include that new term in the Master Glossary, and modify the definition of share-based payment value to describe what this term is intended to represent for purposes of measuring the compensation cost of share-based awards.

In addition, we recommend the board provide transition guidance for the proposed changes to Master Glossary terms "plan assets" and "actual return on plan assets."

Further details on the points raised above, along with our responses to the questions that accompany the proposed update are included as Appendix A.

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If you have any questions regarding our comments or wish to discuss any of these matters, please contact Elizabeth Paul (973) 236-7270 or Kevin Catalano at (973) 236-5057.

Sincerely,

*PricewaterhouseCoopers LLP*



## Appendix A

**Question 1: Do you agree with the proposed amendments to the Codification described in this proposed Update? If not, please explain which proposed amendment(s) you disagree with, and why.**

Except as noted in our response to Question 5, we agree with the proposed amendments to the Codification described in the proposed update.

**Question 2: Will any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions or that the Board should consider in determining the appropriate effective date for the final amendments? If so, please describe.**

We are aware of diversity in practice regarding how pension plan sponsors present expenses incurred in a period, such as income tax expense incurred by the fund. Some treat such expenses as a reduction of actual return on plan assets and others treat them as a component of service cost. As a result of the proposed changes to the definitions of “actual return on plan assets” and “plan assets,” pension plan sponsors that do not include those expenses as a reduction of actual return on plan assets would benefit from transition guidance. Therefore, we recommend the board provide that guidance.

**Question 3: Are there other changes that should be made that are directly or indirectly related to the noted changes? Please note that the Board will conduct technical correction projects on a periodic basis and additional changes may be postponed to a subsequent technical corrections project.**

We have not identified other changes that should be made to the Codification that are directly or indirectly related to the proposed amendments.

**Question 4: The proposed amendments would apply to public and nonpublic entities. Will any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) will require special consideration, and why?**

We do not believe that any of the proposed amendments require special consideration for nonpublic entities.

**Question 5: The Board considered several options for renaming the Master Glossary term *fair value* that originates from FASB Statement No. 123 (revised 2004), *Share-Based Payment*. The Board is proposing that this term be renamed *share-based payment value* and used throughout the Codification to emphasize that the measure differs from fair value (see paragraph 204). Do you agree with this proposed amendment? If not, why?**



As noted in our cover letter, we do not agree with the proposal to rename the Master Glossary term “fair value” that originates from the issuance of FAS 123R without also modifying the definition of “share-based payment value.”

The measurement of share-based payment transactions is intended to be fair-value-based, but for reasons more fully described in ASC 718, is not intended to represent fair value under ASC 820. It is a fair-value-based measurement because an award’s value is adjusted for factors not contemplated in the ASC 820 definition of fair value, such as performance conditions, market conditions, forfeitability, and “reload” features. As noted in ASC 718-10-30-13, “The fair-value-based method...uses fair value measurement techniques, and the grant-date share price and other pertinent factors are used in applying those techniques.... This Topic refers to the required measure as fair value.”

We believe it is well understood that the term “fair value” as used in ASC 718 and ASC 505 is not intended to have the same general meaning that the term “fair value” has in ASC 820. Accordingly, we recommend the board delete the term “fair value” in the Master Glossary that originates from the issuance of FAS 123R.

Alternatively, the board could replace the term “fair value” in ASC 718 and ASC 505 with the term “share-based payment value,” include the new term in the Master Glossary as proposed, and modify the definition of share-based payment value to describe what this term is intended to represent, as discussed above.