

Thomas Hoey & Associates, LLC

August 5, 2013

Technical Director
File Reference No. 2013- 240
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Board Members and Staff,

Thank you for the opportunity to comment on the proposed Accounting Standards Update regarding Technical Corrections and Improvements Related to Glossary Terms. We thank the FASB members and staff for the extensive, thoughtful, and organized effort preparing the proposed Accounting Standards Update.

We have organized this comment letter into three major sections:

1. Our responses to the questions posed in the proposed Accounting Standards Update.
2. A summary of our observations and suggestions.
3. Attachments containing detailed suggestions.

Our responses to the questions posed in the proposed Accounting Standards Update

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.

Response: We agree with the majority of the proposed amendments. We disagree with some of the proposed amendments and have documented those items in the attachments to this letter.

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.

Response: Of the items that we evaluated, we believe that the proposed amendments will not change the application of existing guidance and therefore does not warrant any transition provisions.

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.

Response: We have identified other changes that are directly or indirectly related to the proposed amendments. We have documented those items in the attachments to this letter.

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?

Response: Of the items that we evaluated, we are unaware of any special considerations 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?

Response: Given the prevalence of the term *fair value*, we believe that there should be no misunderstanding of the term. Use of the term in the context of share-based payments increases the risk that the term will be misunderstood and misapplied. We agree with the proposed amendment to create a unique term to distinguish the unique definition.

A summary of our observations and suggestions

Thomas Hoey & Associates, LLC participated in development of the FASB Accounting Standards Codification (ASC). We mention this because certain of our responses refer to the some of the historical background that may be beneficial when evaluating actions related to glossary items.

General remarks

The proposed Accounting Standards Update (primarily in Section A) identifies various terms for removal using a single criterion that the terms do not appear in the text of the Codification. We believe that criterion is too narrow because it focuses only on the use of glossary terms in one direction – from Codification text to glossary term. The model for the Codification glossary addressed multiple paths / uses including:

- links from the glossary terms in the Codification text to the glossary definition,
- a single location spanning all topics that provides a level of overall glossary control (e.g., eliminate identical terms with multiple definitions; eliminate redundant definitions used by multiple terms; etc.), and
- a navigation channel allowing users to locate relevant guidance by browsing the glossary or performing text searches for unique terms.

We believe that it is important to provide users with as many opportunities as possible to locate relevant guidance. The glossary is one vehicle that provides opportunities. Therefore, we believe that it is important to consider and document the preceding list of items before removing glossary terms.

Except for very common acronyms, the Codification text does not include acronyms. Excluding acronyms from the Codification text was one step in implementing plain English because it allows users who are new to a topic to understand the content without needing to know, or decipher, acronyms. However, users frequently searched for acronyms yet in some cases did not know the actual words underlying the acronym. To ensure that users are able to find relevant Codification content related to an acronym, the glossary includes acronyms as a user navigation vehicle – i.e., from glossary to relevant guidance – even though the acronym terms do not appear in the Codification text. Including the acronyms in the glossary allows users to locate acronyms in the glossary by browsing the glossary or performing a text search. Once located, the glossary definition should direct the user to the related guidance.

The glossary applied a similar approach for commonly used terms and phrases. In various cases, a single definition relates to multiple terms. In the event that one or more of the terms do not appear in the Codification text, it remained important for users to find relevant guidance for each term by browsing the glossary or by text search. There were two approaches for including the terms, as follows:

1. A unique glossary term with a definition that simply refers to a primary glossary term and related definition, or
2. A reference within the primary glossary term definition to any related (or secondary) terms with reference such as "...also known as {Term}", "This is also referred to as {Term}", etc.

Our suggestions

We have included our detailed suggestions in various attachments (A-1 to C). Below is a summary of our suggestions:

1. Proposed ASU Section A - Deletion of Master Glossary Terms
 - a. Attachment A-1 – Proposed amendments that we believe should not supersede the term for various reasons including
 - i. Terms are in the Codification text, but not linked to the glossary,
 - ii. Terms relate to acronyms that, by design, do not appear in the Codification text,
 - iii. Some terms appears to be widely used in practice and should be accessible by users.
 - b. Attachment A-2 – Proposed amendments that we believe require additional changes
 - i. There is one case where the proposed changes did not consider another section of the Codification text that requires change.

- c. Attachment A-3 – Proposed amendments that we believe require additional reasons to support superseding the term.
 - i. From a precedent setting perspective, and as noted in our general remarks, we believe that it is important to include additional logic beyond the fact that the term did not appear in the Codification text.
 - ii. As noted in Attachment A-3, in several cases, removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as an alternative user navigation channel (i.e., reduces functionality). As noted in our general remarks, we believe that it is important for users to locate relevant content using known terminology. In several cases, removing the glossary term would continue to allow users to find the relevant guidance using a text search. Therefore, we would not object to superseding the glossary term.
 - iii. In some cases, the definition provides no incremental value beyond the standard word definitions. Therefore, we accept superseding the term.
 - iv. In some cases (primarily Agriculture), the terms relate to diverse practices described in the diversity of practice section of the original literature but not carried forward as acceptable. As such, we agree that those items should be superseded.
 - v. In some cases, the terms were carried forward in the Codification but appear to have been superseded by more recent literature.
 - vi. In numerous places, the proposed Accounting Standards Update indicates no source. We have provided various sources that we believe should be included in the final Accounting Standards Update.
2. Attachment B – Proposed ASU Section B - Addition of Master Glossary Term Links
 - a. Same Source Literature (Subsection 1)
 - i. In one case, we believe the term is no longer necessary given the Codification foundation.
 - ii. There are two instances that we believe require additional change beyond the changes in the proposed Accounting Standards Update.
 - b. Different Source Literature (Subsection 2)
 - i. The proposed Accounting Standards Update indicates no source. We have provided a source that we believe should be included in the final Accounting Standards Update.
3. Attachment C – Proposed ASU Section C - Duplicate Master Glossary Terms
 - a. We believe that the Board should consider and address two additional terms whose definition is essentially identical – "Corporate Joint Venture" and "Joint Venture".
 - b. Miscellaneous suggested changes.
4. Proposed ASU Section D - Other Technical Corrections Related to Glossary Terms
 - a. No comments.

CONCLUDING REMARKS

Thank you for providing the opportunity to comment on the proposed Accounting Standards Update.

We hope that you find this communication helpful.

Please contact us if you have any questions.

Regards,

Thomas Hoey

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Attachment A-1

Amendments Related to the Deletion of Master Glossary Terms (Section A) – Disagree with conclusion to supersede

The following are amendments that we believe should not supersede the term:

Diversifiable Risk –

- The proposed Accounting Standards Update indicates "Supersede because not linked in the Codification." However, paragraph 820-10-55-14 contains the term in the form of "Unsystematic (diversifiable) risk".
- While a user could find the relevant guidance with a text search we suggest retaining the glossary term and restructuring the link at paragraph 820-10-55-14 to trigger link relationship as follows (inserts / ~~deletes~~):
 - **820-10-55-14** In making an investment decision, risk-averse market participants would take into account the risk that the actual cash flows may differ from the expected cash flows. Portfolio theory distinguishes between two types of risk:
 - Unsystematic risk (or diversifiable risk) risk **{Link each term to the unique glossary term}**
 - Systematic risk (or nondiversifiable risk) risk. **{Link each term to the unique glossary term}**
- The source is FAS 157, paragraph B13. The proposed Accounting Standards Update indicates no source.

Dividend Interest Rate –

- The proposed Accounting Standards Update indicates "Supersede because not linked or used in the Codification." However, the underlying text of the graphic in paragraph 944-805-55-10 contains the term "Dividend fund interest rate".
- If the system is able to link the graphic text to the glossary term, we suggest that the glossary term be changed to "Dividend fund interest rate" and the link made to the modified term.
- If the system is not able to link the graphic text to the glossary, we suggest that the glossary term and definition be modified as follows (inserts / ~~deletes~~):
 - Dividend Fund Interest Rate
 - The total interest rate the entity pays on its dividend fund. Refer to table in paragraph 944-805-55-10. **{Link to the paragraph}**

Joint Venturers –

- The proposed Accounting Standards Update indicates "Supersede because not linked or used in the Codification." However, the term is used – but not linked – within:
 - the term "Corporate Joint Venture" (Source - APB 18, paragraph 3(d) [Dated March 1971]),
 - the term "Joint Venture" (Source - EITF 01-02),
 - paragraph 310-10-05-9 (Source - PB 1, par 1 [Dated November 1987]), and
 - paragraph 310-10-S99-1 (Source - SAB TOPIC 1.I, paragraph Q1 Response).
- While the term is simply derived from "joint venture" and does not appear essential for a clear understanding, its usage suggests that the term be retained and linked in the first three preceding sources.
 - Corporate Joint Venture
 - "A corporation owned and operated by a small group of businesses (the **{Link to glossary}**"joint venturers"**{Link to glossary}**)..."
 - Joint Venture
 - "An entity owned and operated by a small group of businesses (the **{Link to glossary}**"joint venturers"**{Link to glossary}**)..."
 - **310-10-05-9** Lenders may enter into acquisition, development, and construction arrangements in which they have virtually the same risks and potential rewards as those of owners or **{Link to glossary}** joint venturers **{Link to glossary}**....
- If the FASB determines to delete the term, we believe that users will be able to find the relevant content using the text search expression "Joint Venture".
- Because the last preceding source (paragraph 310-10-S99-1) is SEC literature, the FASB should not create a link because the SEC glossary does not contain the term.
- The sources are included in the first bullet of this section. The proposed Accounting Standards Update indicates no source.
- This comment is made independent of our separate comment about eliminating duplication in the terms - "Joint Venture" and "Corporate Joint Venture".

Land Development Costs –

- We disagree with superseding the term as doing so results in inconsistent terminology.
- The glossary definition of "Land development costs" states "See Land improvement costs". The same is true for the definitions of "Permanent land development costs" and "Limited-life land development costs"
- However, the Codification text does not contain the term "Land improvement costs." Additionally, the glossary definition of "Land improvement costs" begins as "Land improvement and development costs..." yet all of the other "land...costs" glossary terms use "development" rather than "improvement".
- Because the Codification text does not use the term "Land improvement costs", and to provides greater consistency of terms, we suggest the following:
 - Move the definition from the term "Land improvement costs" to the term "Land development costs".
 - Delete the term "Land improvement costs".
 - Change the reference links in the terms "Permanent land development costs" and "Limited-life land development costs" from "Land improvement costs" to "Land development costs".
- The source is AAG Agricultural Producers and Agricultural Cooperatives (2008), paragraph 6.72. The proposed Accounting Standards Update indicates no source.

LDC Loan –

- We disagree with superseding the term because it appears to fall into the category of acronyms.
- Paragraph 1 of AICPA Practice Bulletin 5 stated "Loans to financially troubled countries (LDC loans) of many banks currently meet the conditions in paragraph 8 of FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies, for accrual of loss contingencies. As a result, those banks should have established loan loss allowances for their LDC loans by charges to income."
- The related Codification language is in 942-310-35-1 - Bank loans to financially troubled countries may meet the conditions in paragraph [450-20-25-2](#) for accrual of loss contingencies. As a result, a bank shall establish loan loss allowances for such loans by charges to income.
- The source of the Codification language in paragraph 942-310-35-1 is from PB5 paragraph 1. However, the text of that paragraph eliminated the parenthetical term "LDC loans". The term may have been eliminated because the Codification text does not contain acronyms as noted in our general comments.
- On a related note, paragraphs 30-31 of the proposed Accounting Standards Update suggest inserting a glossary link to "Less-developed country loans" in paragraph 942-310-05-2. We agree with that proposed change.
- In addition, we suggest the following:
 - Modify paragraph 942-310-35-1 as follows –
 - **942-310-35-1** Bank loans to financially troubled countries (**{Link to glossary} Less-developed country loans {Link to glossary}**) may meet the conditions in paragraph [450-20-25-2](#) for accrual of loss contingencies. As a result, a bank shall establish loan loss allowances for such loans by charges to income.
 - Retain both glossary terms "Lesser-developed country loans" and "LDC Loans". The latter is retained as an aid to those who only know the acronym and could then use the acronym to locate the glossary term as the first step to finding the relevant Codification content.

Lease and Well Equipment –

- FAS 19 paragraph 11(b) footnote 1 is the source of the term and indicates that "Wells and related equipment and facilities - Often referred to in the oil and gas industry as "lease and well equipment" even though, technically, the property may have been acquired other than by a lease.."
- As noted in our general comments, one purpose of the glossary is to include commonly used terms or acronyms to help ensure that users are able to locate relevant content using those common terms and acronyms.
- Assuming that the term is still a commonly used, we disagree with superseding the term.
- We suggest that the FASB staff follow up with representatives of the oil and gas industry to verify whether the industry still commonly uses the term.

Life Income Agreement –

- Based on a quick internet search, it appears that the term may be somewhat common in the industry.
- The glossary definition also directs the users to two other glossary terms that link to relevant Codification text.
- Assuming the term is common, we suggest that the Codification retain the term as an aid to those searching for the term.

Matched Repos –

- Similar to the situation with the term "Life Income Agreement", the term "Matched repo" appears to be widely used. As an aid to those searching the Codification for the term, it would be beneficial to retain the term. However, the glossary term does not reference any other glossary terms and thus does not direct users to the relevant content. Therefore, we suggest that the definition provide linkage to point users to relevant content.
 - Matched Repos
 - Matched repos are situations in which the broker-dealer has entered into repos and reverse repos using the same securities. See Repurchase Agreements. **{Link to the term used in Topic 940}**

Nondiversifiable Risk –

- The proposed Accounting Standards Update indicates "Supersede because not linked in the Codification." However, paragraph 820-10-55-14 contains the term in the form of "Systematic (nondiversifiable) risk".
- While a user could find the relevant guidance with a text search we suggest retaining the glossary term and restructuring the link at paragraph 820-10-55-14 to trigger link relationship as follows (inserts / ~~deletes~~):
 - **820-10-55-14** In making an investment decision, risk-averse market participants would take into account the risk that the actual cash flows may differ from the expected cash flows. Portfolio theory distinguishes between two types of risk:
 - Unsystematic risk (or diversifiable risk) risk **{Link each term to the unique glossary term}**
 - Systematic risk (or nondiversifiable risk) risk. **{Link each term to the unique glossary term}**
- The source is FAS 157, paragraph B13. The proposed Accounting Standards Update indicates no source.

Raised Animals –

- We disagree on superseding the term as it is used in Codification paragraph 905-360-30-3. However, the needs to be restructured to allow linkage to the term. The text currently indicates "...raised or purchased animals..." and should state "...raised animals or purchased animals..." to allow linkage from the term
- We suggest the following changes (inserts / ~~deletes~~):
 - **905-360-30-3** The costs of **{Link to glossary}** raised animals **{Link to glossary}** or purchased animals kept in grazing areas or open ranges shall be determined in the same manner as for breeding animals.

Retrospective Deposit Methods –

- As stated in the summary to FASB 97, "This Statement requires that the retrospective deposit method be used to account for universal life-type contracts." The prominence of the term suggests retaining it.
- Paragraph 944-40-30-16(a) corresponds to FASB 97 paragraph 17(a) "The balance that accrues to the benefit of policyholders at the date of the financial statements" that included footnote 4 that resulted in the glossary term. The footnote stated "Accounting methods that measure the liability for policy benefits based on policyholder balances are known as retrospective deposit methods"
- Given the prominent use of the term "Retrospective Deposit Method" we suggest that the term be retained. However, the current sentence structure does not provide for clean use of a glossary term. Because the term is not used elsewhere, we suggest that a change be made to paragraph 944-40-30-16(a) to incorporate the definition, as follows:
 - **944-40-30-16(a)** The balance that accrues to the benefit of policyholders at the date of the financial statements (Note: Accounting methods that measure the liability for policy benefits based on policyholder balances are known as retrospective deposit methods.)
 - Delete the glossary term.

SDR –

- As noted in our general comments, acronyms by design do not have links from the Codification text. However, the acronyms are essential for users to locate the relevant content by using the acronym. Therefore, we disagree with superseding the term.
- We believe that the glossary term "SDR" should remain as is.

Attachment A-2

Amendments Related to the Deletion of Master Glossary Terms (Section A) – Additional changes required

The following are amendments that we believe require additional changes:

Enhanced-Crediting-Rate Bonus –

- We agree that term can be superseded and changed for consistency (per the proposed Accounting Standards Update). However, additional changes are necessary.
- In addition to the paragraphs noted in the proposed Accounting Standards Update, the term is used in the paragraph heading to paragraph 944-40-55-13. However, while the paragraph heading refers to "Enhanced-Crediting-Rate Bonus", paragraph 944-40-55-13 does not use the term "Enhanced-Crediting-Rate Bonus" but instead uses "Enhanced-Crediting-Rate Sales Inducement". Yet there is no glossary term for "Enhanced-Crediting-Rate Sales Inducement".
- Per paragraph 27-29 of the proposed Accounting Standards Update, two paragraphs (944-20-05-32(c) and 944-40-55-10(c)) containing the term "enhanced crediting rate bonus" are changed to "enhanced yield bonuses". As a result, the text in 944-40-55-13 and its related paragraph heading require change to remain consistent.
- We suggest modifying paragraph 944-40-55-13 and its paragraph heading as follows:
 - "Enhanced Yield Bonuses~~Crediting Rate Bonuses~~"
 - "As defined in this Subtopic, in an enhanced yield bonuserediting rate sales inducement, the insurance entity offers customers a crediting rate for a stated period in excess of that currently being offered by the entity for other similar contracts. The liability for an enhanced yield bonuserediting rate sales inducement should be accrued ratably over the bonus crediting period. If the criteria in paragraphs [944-30-25-6 through 25-7](#) are met, an asset should be established for the same amount."
- The source is SOP 03-1 paragraph 47. The proposed Accounting Standards Update indicates no source.

Attachment A-3

Amendments Related to the Deletion of Master Glossary Terms (Section A) – Additional logic needed to support proposed change

The following are amendments to which we agree with the result in the proposed Accounting Standards Update but for reasons beyond those stated in the proposed Accounting Standards Update. We believe that it is important from a precedent setting perspective to include the additional logic in the final Accounting Standards Update.

Annuity Gift –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because
 - the term is not used in the Codification text **AND**
 - by using the search expression "Annuity Gift" users will be able to use the text search to find the primary glossary term "Charitable Gift Annuity" and the relevant content.

Fair and Equitable –

- We agree that term can be superseded because
 - the term is not used in the Codification text,
 - the term was not used in the original text of SOP 00-3, **AND**
 - the definition does not add any incremental or differentiated meaning to the common definitions of the words.
- The source is the SOP 00-3 glossary. The proposed Accounting Standards Update indicates no source.

Farm Price Method –

- We agree that term can be superseded because the term
 - is not used in the Codification text **AND**
 - was used only in the nonauthoritative diversity in practice section of SOP 85-3.

Front-End Sales Load –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because
 - the term is not used in the Codification text,
 - the words "load", "fee", and "charge" had been used interchangeably, **AND**
 - users will be able to find the relevant content using the text search with expressions "Front end sales load", "Front end sales fee", "Front end sales charge".
- The source of the term – without a definition - is FSP EITF 85-24. The proposed Accounting Standards Update indicates no source.

Funds Held in Trust by Others –

- We agree that term can be superseded because
 - the term is not used in the Codification text, **AND**
 - the definition does not add any incremental or differentiated meaning to the common definitions of the words.

Involuntary Termination –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because
 - the term is not used in the Codification text **AND**
 - the definition of "Termination" includes the term "Involuntary Termination" thereby allowing a user to locate the relevant content using a text search.
- The source of the term is FAS 60, paragraph 66. The proposed Accounting Standards Update indicates no source.

Objective Covenants –

- We agree that the term can be superseded because
 - the term is not used in the Codification text **AND**
 - it appears that the term is no longer relevant to an accounting or reporting decision per the following:
 - DIG C13 carried forward the objective covenant and subjective covenant language from EITF 87-30. Subsequently, it appears that EITF 87-30 was affected by FASB Statement 125, 140, 160, and DIG C13, all of which appear to have eliminated the objective covenant and subjective covenant distinctions.

Payout Phase –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because the term is
 - not used in the text of the Codification **AND**
 - included within the glossary definition of "annuitization phase" thereby allowing users to locate the relevant content by text searching for the term "payout phase".
- The source of the term is the SOP 03-1 glossary. The proposed Accounting Standards Update indicates no source.

Recurring Land Development Costs –

- We agree that the term can be superseded because the term
 - is not used in the Codification **AND**
 - the term related to a concept that was not accepted by the conclusions in SOP 85-3 per the following:
 - The term was used in SOP 85-3 to describe one of the diverse methods of accounting for livestock. The Division reached a conclusion that effectively eliminated the unit livestock method.

Remainder Trust –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because
 - the term is used only within the term "Charitable remainder trusts" thus providing no incremental value beyond the term "Charitable remained trusts" **AND**
 - users can find relevant guidance by text searching for "remainder trust".

Revolving-Debt Agreement –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because
 - the term is not used in the Codification text **AND**
 - the definition of "Line of credit arrangements" includes the words "revolving debt" and "agreement" thereby allowing a user to locate the relevant content using a text search.
- The source of the term is EITF 98-14. The proposed Accounting Standards Update indicates no source.

Risk Load –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because
 - the term is not used in the Codification text **AND**
 - the definition of "Risk of Adverse Deviation" includes the term "risk load" thereby allowing a user to locate the relevant content using a text search.
- The source of the term is FASB 60, paragraph 66. The proposed Accounting Standards Update indicates no source.

Subjective Covenants –

- We agree that the term can be superseded because
 - the term is not used in the Codification text **AND**
 - it appears that the term is no longer relevant to an accounting or reporting decision per the following:
 - DIG C13 carried forward the objective covenant and subjective covenant language from EITF 87-30. Subsequently, it appears that EITF 87-30 was affected by FASB Statement 125, 140, 160, and DIG C13, all of which appear to have eliminated the objective covenant and subjective covenant distinctions.

Unit Livestock Method –

- We agree that term can be superseded because the term
 - is not used in the Codification **AND**
 - the term related to a diverse accounting method that was not included in the SOP 85-3 conclusions per the following:
 - The term was used in SOP 85-3 to describe one of the diverse methods of accounting for livestock. The Division reached a conclusion that did not address the unit livestock method.

Voluntary Termination –

- Removing the term from the glossary (per the proposed Accounting Standards Update) simply eliminates the glossary as a navigation channel.
- If the board believes that the term is not accessed frequently in the glossary, we agree that the glossary term can be superseded because
 - the term is not used in the Codification text **AND**
 - the definition of "Termination" includes the term "Voluntary Termination" thereby allowing a user to locate the relevant content using a text search.
- The source of the term is FAS 60, paragraph 66. The proposed Accounting Standards Update indicates no source.

Written Notice of Allocation –

- We agree that term can be superseded because the term
 - is not used in the Codification **AND**
 - the term related to a diverse accounting method that was not included in the SOP 85-3 conclusions per the following:
 - The term was used in SOP 85-3 to describe one of the diverse methods of accounting for investments in and income from cooperatives. The Division reached a conclusion that did not address the written notice of allocation method.

Attachment B

Amendments Related to the Addition of Master Glossary Term Links (Section B) [paragraphs 8 – 54]

Same Source Literature (Subsection 1) [paragraphs 8-24]

Financial Position of an Investee –

- The definition indicates "Financial position of an investee determined in accordance with U.S. generally accepted accounting principles (GAAP)."
- We believe that this glossary term is no longer necessary because the definition adds no value and implies a potential option to evaluate under some other criteria. As indicated in the Notice to Constituents (under the heading "Non-GAAP"), "...the Codification represents authoritative US GAAP. Therefore, the Codification does not include guidance for non-GAAP matters..."

Member of a Cooperative and Nonmember of a Cooperative –

- Various paragraphs in Topic 905 include variations of the terms members and nonmembers. However, the terms are not in a formation consistent with linking to those glossary terms. That said, each of the relevant subtopics includes the glossary term for Cooperatives. As a result of the changes in the proposed Accounting Standards Update, a user would be able to locate the terms "member of a cooperative" and "nonmember of a cooperative". Therefore, we believe that there is no need to modify the language variations.
- However, after reviewing the terms, we believe that additional changes are needed to the definitions, as follows:
 - A nonmember can be a patron or a nonpatron (refer to paragraphs 905-505-45-2 and 905-505-45-7). The definition for "Nonmember of a Cooperative" only defines the nonmember patron and does not address a nonmember nonpatron. Therefore, we suggest clarifying the glossary term rather than revising the definition.
 - We suggest modifying the term "Member of a Cooperative" to eliminate the redundant lead-in text and include link to the term "Cooperatives", as follows:
 - Member of a Cooperative
 - ~~A member of a cooperative is an~~ An owner-patron who is entitled to vote at corporate meetings of a **{add glossary link} cooperative {add glossary link}**.
 - We suggest modifying the term – "Nonmember of a Cooperative" by clarifying and linking to "Patrons" and nonpatrons, establishing a structure consistent with the voting language used in the "Member of a Cooperative" glossary term, and linking to the term "Cooperatives", as follows:
 - Nonmember of a Cooperative
 - ~~A nonmember patrons~~ **{add glossary link} Patrons {add glossary link} or nonpatrons who are not entitled to voting privileges to vote at corporate meetings of a {add glossary link} cooperative {add glossary link}**. A nonmember patron may or may not be entitled to share in patronage distributions, depending on the articles and bylaws of the cooperative or on other agreements.

- Modify the glossary term "Patrons" to link to related terms similar to the changes made to the term "Cooperatives"
 - Patrons
 - Any individual, trust, estate, partnership, corporation, or cooperative with or for whom a **{add glossary link} cooperative {add glossary link}** does business on a cooperative basis, whether a **{add glossary link} member of a cooperative {add glossary link}** or **{add glossary link} nonmember of a the cooperative {add glossary link}**.

Terms related to "Potentially Responsible Party" –

- Within the definition of "Potentially Responsible Party", add glossary links to
 - Participating Potentially Responsible Party
 - Recalcitrant Potentially Responsible Party
- Add a glossary link to the term "Potentially Responsible Party" from each of the following definitions:
 - Orphan Share Potentially Responsible Party
 - Participating Potentially Responsible Party
 - Recalcitrant Potentially Responsible Party
 - Unknown Potentially Responsible Party
 - Unproven Potentially Responsible Party

Different Source Literature (Subsection 2) [paragraphs 25-54]

Less-Developed Country Loan –

- Refer to discussion in Attachment A-1 related to "LDC Loans".

Lump-Sum Contract –

- The source of "Lump-Sum Contract" is SOP 81-1, paragraph 93. The proposed Accounting Standards Update indicates no source.

Attachment C

Amendments Related to Duplicate Master Glossary Terms (Section C) [paragraphs 55 – 354]

Corporate Joint Venture and Joint Venture –

- In addition to the term "Joint Venturers" in Section A of the proposed Accounting Standards Update, we also suggest that the Board address the terms "Corporate Joint Venture" and "Joint Venture". While the terms are not duplicate, the definitions are essentially identical, which requires analysis by users to determine the extent of differences. From the perspective of language convention, the term "Joint Venture" should define a joint venture, while the term "Corporate Joint Venture" should provide incremental language to distinguish it from the base term "Joint Venture".
- We suggest modifying the definition of "Corporate Joint Venture" as follows:
 - Corporate Joint Venture
 - A **{add glossary link} joint venture {add glossary link} in the form of a** corporation owned and operated by a small group of entities (the joint venturers) as a separate and specific business or project for the mutual benefit of the members of the group. ~~A government may also be a member of the group. The purpose of a corporate joint venture frequently is to share risks and rewards in developing a new market, product or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A corporate joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity that is a subsidiary of one of the joint venturers is not a corporate joint venture. The ownership of a corporate joint venture seldom changes, and its stock is usually not traded publicly. A noncontrolling interest held by public ownership, however, does not preclude a corporation from being a corporate joint venture.~~
- In addition, we believe that the "Joint Venture" definition needs to change as follows: "A minority noncontrolling interest held by public ownership..."

Employee (paragraphs 171-181) –

- The sentence inserted into 960-10-05-1 essentially clarifies the limitation on the term employees throughout the topic. In these cases, we believe that the text should be included in the Scope section. For example, paragraph 978-10-15-6 includes the terms "project" and "phase" as "Other Considerations" within the Scope section. Following that model, we suggest that the proposed text in 960-10-05-1 be moved to 960-10-15-4 as follows:
 - Add paragraph heading and paragraph –
 - Other Considerations
 - 960-10-15-4 As used in this Topic, employee refers to a person who has rendered or is presently rendering service.

Exchange (paragraphs 182 – 188) –

- Given the relatively high number of linked instances and the planned superseding of Topic 978 (per paragraph 183 of the proposed Accounting Standards Update) and the related term, we suggest deferring the removal of the term until the topic is superseded.

Observations about the terms "Modifications" and "Phase" –

- As noted in our general remarks, the original intent was to ensure that all terms were defined in the Codification glossary. Doing so provides a navigation method for users and puts the FASB staff on alert as they develop new glossary terms. If terms are not included in the glossary, it increases the odds of creating duplicate terms in the future similar to the results before the Codification. The approach in the proposed Accounting Standards Update essentially attempts to hide the duplication issue that was intended to be solved by the discipline of the glossary. Removing the term from the glossary and inserting the definition into the text is inconsistent with the standard glossary approach and sets a precedent that others will likely follow in the future without understanding the fact that this was done on an exception basis.
- Modifications
 - In addition to the above observation, we disagree with moving the definition from the glossary to the text for the following reason:
 - Inserting the definition as the new second sentence results in ambiguity in the new third sentence. The new third sentence indicates "...shall account for those transactions in accordance with..." Given the new sentence structure, readers could infer that "those transactions" in the new third sentence only relates to modifications because that is the context of the new second sentence. However, as originally written, the new third sentence was intended to address "modifications, deferments, and downgrades" as indicated in the first sentence.
 - We suggest one of the following alternatives:
 - Deleting the term and definition as the term is essentially the same as one would imagine from the standard language definition and does not add any incremental value,
 - Retaining the duplicate term "Modification" in the glossary and leaving the term and links as is, or
 - Determining a new phrase for the term "Modification" and making the corresponding change in 978-310-35-4.
- Phase (par 261 – 265)
 - The concept in both definitions of "phase" is very close except that one definition is substantially more robust.
 - We suggest one of the following alternatives:
 - Retaining the duplicate term "Phase" and leave the term and links as is
 - Determining a new phrase (e.g., "construction phase") for the general real estate term (i.e., Definition 1) and making the corresponding changes in the related paragraphs.
 - Revising the time share definition (i.e., Definition 2) to be more generic in order to use the same term in both Topic 970 and 978.