

## Investor Advisory Committee

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### Via Email

July 11, 2014

Technical Director  
Financial Accounting Standards Board  
File Reference No. 2014-200  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: File Reference Number: 2014-200: Proposed Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting-Chapter 8: Notes to Financial Statements***

Dear Technical Director:

The Investor Advisory Committee (IAC)<sup>1</sup> appreciates the opportunity to comment on the FASB's proposed Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting-Chapter 8: Notes to Financial Statements*.

IAC generally supports the logic and parameters of the proposed Concepts Statement to be used by the Board when deciding upon disclosure requirements. Below are additional observations and recommendations in response to three of the Exposure Draft's "Questions for Respondents":

**Question 3:** *Do the concepts in this chapter encompass the information appropriate for disclosure in notes to financial statements that would assist resource providers in their decision making? Are there concepts that should be added or removed?*

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<sup>1</sup> This letter represents the views of the Investor Advisory Committee ("IAC" or "Committee") and does not necessarily represent the views of its individual members or the organizations by which they are employed. IAC views are developed by the members of the Committee independent of the views of the Financial Accounting Standards Board and its staff. For more information about the IAC, including a listing of the current members and the organizations in which they are employed, see <http://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1175801857636>.

In general, IAC believes that the concepts in the Exposure Draft encompass the information appropriate for disclosure in notes to financial statements that would assist resource providers in their decision making. However, consistent with our previous comments regarding the Disclosure Framework project, it is unclear the extent to which the concepts outlined would indicate all of the rollforward information needed by users to fully understand cash flow activities associated with beginning and ending account balances. IAC acknowledges the feasibility issues associated with asking preparers to generate direct cash flow information on a line item basis but also notes that for certain line items (such as accounts receivable, warranties and other areas of significant judgment), the incremental benefit of providing rollforward information may justify the cost of doing so.

Additionally, IAC members want to emphasize the importance and usefulness of accounting policy information. While existing accounting policy disclosure requirements can result in “boilerplate” language, the granularity of information regarding accounting policies, changes in accounting policies, and changes in accounting estimates is necessary to differentiate across sectors and to understand changes in companies over time.

***Question 7:*** *Will the concepts related to future-oriented information (paragraphs D22–D31) result in disclosures that are appropriate for the notes? If not, what types of information should be included in or excluded from consideration for disclosure in the notes?*

In general, IAC believes that the concepts related to future-oriented information (paragraphs D22-D31 of the Exposure Draft) will result in disclosures that are appropriate for the notes. We believe the parameters set forth in the Exposure Draft as a boundary on future-oriented information protect and create an anchor for preparers.

***Question 9:*** *Are the concepts related to disclosure requirements for interim periods (paragraphs D60–D71) appropriate? If not, are there concepts that should be added or removed?*

In general, IAC believes that the concepts related to disclosure requirements for interim periods (paragraphs D60–D71 of the Exposure Draft) are appropriate. Certain IAC members recommend requiring a sensitivity analysis of valuation uncertainties at interim reporting periods. Understanding the range of possible outcomes accompanied by respective probabilities and assumptions (potentially in narrative format) for items such as mortgage servicing rights would be very useful.

IAC members also would like to emphasize the importance of having quarterly basis disclosures for the accounting estimates that can materially impact a company’s results in a quarter. One way to do this would be to require interim disclosure for those material accounting estimates each quarter. Another solution might be to require a company to disclose (1) the provision amounts quarterly and (2) the reserve roll-forward with cash flows on an annual basis.

As indicated in the preceding paragraphs of this letter, IAC supports the direction of the FASB regarding the “Board’s Decision Process” component of the Disclosure Framework project, and

looks forward to developments on the “Entity’s Decision Process” component of the project going forward. IAC members also are interested in understanding, at a more detailed level, the way in which the Board’s Decision Process as proposed by the Exposure Draft will be operationalized amongst FASB staff and Board members in the standard-setting process once final. We would be happy to discuss any questions that the Board or staff has in this important project as it further progresses.

Sincerely,

*Investor Advisory Committee*

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