

David Schraa
Regulatory Counsel

July 14, 2014

Mr. Russell Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116



File Reference No. 2014-200

RE: Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements

Dear Mr. Golden:

The Institute of International Finance (IIF), via its Disclosure Working Group (DWG) and its Senior Accounting Group (SAG) (the “groups”), welcomes the opportunity to comment on the Exposure Draft (ED), framework (*Conceptual Framework for Financial Reporting - Chapter 8: Notes to Financial Statements - Issued March 4, 2014*).

In the interest of international consistency, the FASB should consider how to participate in the disclosure initiative the IASB launched in January 2013. More broadly, the groups think the accounting standard-setters have a role to play in defining well-accepted concepts to be applied to disclosure overall. Discordant views would not help to reduce or simplify disclosures, nor increase their transparency.

The groups generally support many of the concepts in the proposal and appreciate that the ED takes into account many comments on the discussion paper made in 2012. In particular, the groups are supportive of improvements made in the following areas:

- Scope of accounting disclosure requirements;
- Use of forward-looking information;
- Emphasis given to usefulness to users; and
- Cost constraints.

However the groups have still reservations about providing information that would create uncertainties and confusion among users in particular in paragraphs related to:

- Alternative measurement;
- Events; and
- Conditions and circumstances.

While supporting the proposal and acknowledging the need for a disclosure framework, the groups consider that the proposal is only a first step and will need to be pursued to address the disclosure overload problem. Members are also concerned that the FASB's second phase of the Disclosure Framework project will also be insufficient to address this issue for public U.S. companies. Therefore, the groups urge the FASB to work together with the U.S. Securities and Exchange Commission (SEC) to address the fundamental question regarding which information belongs in Management's Discussion and Analysis (MD&A) for public U.S. companies and not in the footnotes to the financial statements. The groups welcome the willingness of the SEC¹ and the FASB² to work together but believe that such efforts must be materially expanded to address constituent demands to make the disclosure package more understandable and useful, taking into account the work of the IASB and international bodies such as the Basel Committee and Financial Stability Board Enhanced Disclosure Task Force (EDTF). Given that users' needs for information from private companies differ in this regard, the groups believe that the FASB must address this issue separately for private and public companies.

The remainder of the comments is limited to the framework presented in the ED.

Scope of accounting disclosure requirements

While advocating cooperation and cross referencing to and from other types of disclosure, the groups agree with the importance of maintaining clear limitations on the scope of financial statements³ and the footnotes therein. Limiting the scope of the footnotes to explanations of financial statements is also consistent with the European Financial Reporting Advisory Group disclosure framework discussion paper⁴ (*Towards a Disclosure Framework for the Notes*) to the financial statements and the scope defined by the IASB.

¹ **Remarks at the Financial Accounting Foundation Trustees Dinner- Chair Mary Jo White - Washington D.C. - May 20, 2014**

(...) The SEC staff has begun this important initiative. Accountants in both the Office of the Chief Accountant and in the Division of Corporation Finance are actively involved and will work with the FASB to identify ways to improve the effectiveness of disclosures in corporate financial statements and to minimize duplication with other existing disclosure requirements. I know the FASB is itself exploring this topic by looking at the framework used by FASB to consider disclosure requirements in the standard-setting process. One area of focus involves the notes to the financial statements. And I look forward to the insights FASB can provide.

² **FASB** - The Board expects to continue to work in a coordinated manner with the SEC staff to identify ways to improve the efficiency and effectiveness of disclosures, including ways to reduce overlapping disclosures.

³ **D1.** This chapter discusses the information that should be considered for inclusion in notes to financial statements. It also addresses considerations specific to interim period financial statements.

D2. There are limits to the information that can and should be provided in a set of general purpose financial statements, including the notes. Information that should be depicted in words and numbers on the face of financial statements is determined by the definitions of assets, liabilities, equity, revenues and expenses, gains and losses, and the related recognition and measurement requirements. This chapter explains what information should be considered for inclusion in notes. It first describes the purpose of notes and general limitations and then more directly addresses the nature of the appropriate content in detail.

⁴ http://www.efrag.org/files/ProjectDocuments/PAAinE%20Disclosure%20Framework/121015_Disclosure_Framework_-_FINAL1.pdf

Relevance to users

The groups are supportive of the emphasis given to relevance and usefulness to users⁵, but believe that those concepts should be strengthened throughout. The approach focused on relevance and usefulness of information within the economic and operating environment of the reporting entity would allow for the proper exercise of judgment when assessing materiality in different market conditions, and recognize the need to allow entities to make specific materiality determinations without excessively prescriptive requirements in the standards. This approach could help entities make disclosure decisions based on assessments of usefulness to investors and perhaps limit the tendency to prescribe excessive or less-than-useful disclosures in specific areas.

Use of forward-looking information

The groups welcome the language discussing limitations on disclosure of forward-looking information unrelated to measurements in the financial statements⁶. Similar concerns about confidentiality and potential negative outcomes were noted by the SAG and the Working Group on Liquidity when providing IIF responses to disclosures about liquidity risk and interest rate risk exposure draft in 2012⁷. With few exceptions, forward-looking information is inappropriate for inclusion in the audited financial statements.

Therefore, the framework should start this discussion by stating that the fundamental purpose of financial statements is to provide relevant and reliable information about an entity's historical financial position, results of operations, and cash flows. The Board could include a quotation from Concepts 1, *Objectives of Financial Reporting*, such as the language in paragraph 21, which states:

“The information provided by financial reporting largely reflects the financial effects of transactions – events that have already happened. Management may communicate information about its plans or projections, but financial statements and most financial reporting are historical.”

The framework should clearly state that the focus of the financial statements is the communication of historical information regarding current periods that users can use to help understand the issuer's business and to predict future cash flows.

The Board should also consider differences in requirements between public companies and private companies before requiring additional disclosure that addresses a gap in disclosure for only one of those two types of reporting entities. The Board in collaboration with other bodies should consider that public companies subject to MD&A and other SEC requirements ought to

⁵ **D18.** The Board's judgments about whether to establish disclosure requirements necessarily are based on broad general considerations of relevance rather than on materiality, which is entity specific. Ideally, disclosure requirements would be made applicable only to the specific entities to which they are most important. However, most types of disclosures have the potential to apply to a broad range of entities, and that range may change from year to year. Therefore, materiality decisions must be made by each individual entity, and the Board should establish requirements that are not so prescriptive that they preclude reporting entities from making materiality judgments.

⁶ **D31.** In summary, the Board generally does not require disclosures of expectations and assumptions about the future that are not inputs to current measures in financial statements or notes.

⁷ Financial Instruments (Topic 825) – Disclosures about Liquidity Risk and Interest Rate Risk – Liquidity Issues – September 21, 2012.

be allowed to eliminate duplicated disclosures if those disclosures are required both outside and inside of financial statements. The same would apply where disclosures are mandated by prudential regulators, pursuant to the Basel Committee's Pillar 3, specific disclosure requirements for liquidity or other similar disclosures. While the Board should of course define independently what is required in financial statements prepared under U.S. GAAP, it should both make clear that cross-references to such financials from other bodies of disclosure are permitted and should allow cross-references to information that would be outside of U.S. GAAP would be appropriate for non-GAAP information.

While recognizing that there is a tension between audited data and non-audited data that may, at least in the current state of standards and regulations, effectively preclude cross-referencing with other bodies of disclosure, it is especially important for the banking industry for there to be limitation and clarity regarding those disclosures that are within the scope of audit, and allow for physical location of forward-looking information in other areas of the annual report or in other documents. Cross-referencing and efficient use of technology are to be encouraged in order to reduce duplications and to foster easy navigation of disclosures as a whole, but without unwarrantedly expanding the scope of audit.

Against this background, the intended thought process outlined in paragraph D21⁸ should be reconsidered: the decision as to what information ought to be included in financial-statement disclosure requirements should depend on an assessment of whether such disclosure is an important component to understanding the financial statements as such and not on whether it believes the information ought to be audited.

Careful attention to balancing the efficiencies obtainable through cross-referencing and new information technologies will be needed in a context of increasing development of additional disclosure requirements (e.g. the pending Basel Pillar 3 revision). Such careful balancing will be essential to meet the increased demand from users for a more coherent and easily navigated disclosure package (including accounting, prudential (Pillar 3), voluntary (EDTF) and securities-law required disclosures). Without such balancing, tensions in developing overall disclosures will only lead to more duplication and information overload. This is particularly the case where disclosure requirements elicit similar, but not identical, information which can be confusing to all parties. In the longer run, consideration should be given to further accommodation of cross-referencing and use of technologies permitting users to look across different bodies of disclosures.

⁸ D21. The Board attempts to avoid requiring information in notes that entities are otherwise required to provide, for example, in SEC filings or other regulatory reports. However, there are valid reasons why the Board at times considers requiring disclosure of information in notes when the entity provides similar or identical information in other forms of communication. For example, some entities whose resource providers would find the information useful may not be subject to the requirement to provide it in any other form of communication. Also, the form of communication in which the information is provided may not be required every period or may not be as timely as the financial statements and notes. Finally, the information provided in that other form of communication may not be as complete or subject to the same degree of scrutiny and verification as information in financial statements.

While recognizing that disclosure of forward-looking assumptions is sometimes needed within the limitations defined in paragraph D27⁹, as noted in that paragraph, such disclosure should not be a prediction of the future but an explanation of a current measurement based on past events.

Cost constraints; real availability of information

Since there is a cost to producing and providing information, the groups agree that there is a need for a meaningful consideration of costs versus benefits.

The groups also agree that financial reporting should not be expected to provide information that is readily available from other sources. However, additional guidance may be needed to make this principle operational and align expectations of preparers and users, including differentiating between information that would be used in the financial analysis of all reporting entities, versus that used for analysis of particular exposures or business models or funding sources.

Alternative measurement

When asking for alternative measurement¹⁰, the Board should always consider whether it would really lead to relevant information, especially if the alternative measure is in the absence of observable data. There are two issues with requiring such alternative measurements: potentially giving users values that are necessarily judgmental and of less value than the primary measurement, and implicitly deprecating the primary measurement, even when it is the most appropriate and in line with standards.

It is inappropriate to require disclosure of both accounting judgments and alternatives that a firm may have considered. It is necessary and appropriate to disclose accounting policies adopted by a reporting entity, and to disclose the accounting treatment of a material transaction where such treatment may not be obvious, but the groups do not understand the usefulness to users of financial statements of disclosing the “decisions” and “uncertainties” referred to in paragraphs D48, D52d and D56. Judgments behind accounting decisions, including consideration of possible alternatives, are generally driven by specific facts and circumstances, so it is unlikely

⁹ **D27.** The first is information about estimates and assumptions used as inputs to measurements, many of which are future oriented and internally developed. Information about those inputs often is an important part of a faithful representation of a line item and does not create the same degree of risk of negative consequences as do projections or predictions about future events that are not within a line item in the financial statements. Many such inputs relate to fair value measurements (which are estimates of current market prices). Those inputs reflect a market perspective instead of the entity’s own perspective and are required specifically to be based on existing conditions and currently available information. In addition, they are either probability weighted or discounted at a rate that allows for risk and uncertainty. Even the results of entity-specific measurement inputs are purported to represent the way the entity views an item at the reporting date on the basis of existing conditions, and are not purported to be predictions. However, some entity-specific measurements also include projections or predictions about future events (for example, salvage value, useful lives, and bad-debt percentages) that are important to faithful representation of the line item. Because that information explains amounts included in financial statement line items, it would be appropriate for the Board to consider requiring disclosure of these inputs. In contrast, estimates of future revenues related to future sales transactions or the timing of those revenues would not be related to past events or current conditions or circumstances. Therefore, that information would be inappropriate for the notes unless it was an input to a current measure of an asset or a liability.

¹⁰ **BC7.** The 2012 Invitation to Comment stated that the Board should consider requiring disclosure in certain circumstances of alternative measures of line items. Many respondents stated that disclosure of alternative measures should never be required. They added that alternative measures can challenge the measurement used in the financial statements as well as confuse the user.

BC8. The Board decided that alternative measures were useful and appropriate in certain circumstances for the notes. Users have different needs and different ways of analyzing the financial position and performance of an entity. Therefore, at times, users may differ on which measure is best suited to their needs. Furthermore, alternative measures can provide additional information that complements reported amounts (for example, the fair value of a financial instrument measured at historical cost).

that users would be able to compare such accounting decisions across reporting entities. In addition, such accounting decisions may involve applications of complex accounting rules; how a firm decided to apply such complex rules to potentially complex facts would either need to be voluminous, detailed, and technical, or would not be useful (or both). Paragraphs D52d, D56 and D48 should be revised accordingly.

Events

Some of the items listed as candidates for disclosure are inappropriate for inclusion in audited financial statements because they contradict the expressed principle in paragraph D23 that disclosures should not result in significantly negative consequences to issuers of financial statements, and ultimately to their investors and creditors. Examples include potential rather than actual litigation, and suspected rather than actual violations of statutes, judicial requirements or regulations.

Conditions and circumstances

The groups think paragraph D57 overlaps with the disclosure requirements exposed in the *Presentation of Financial Statements (Topic 205) - Disclosure of Uncertainties about an Entity's Going Concern Presumption* Exposure Draft. The disclosure framework should not include these paragraphs as such but include such potential disclosures in the specific standards related to any conditions and circumstances that provide substantial doubt about an entity's ability to continue as a going concern.¹¹

Finally, the groups think that the use of disclosure framework should not be extended to define specific disclosure requirements; rather it should set out the principles that preparers, auditors, users, and regulators ought to apply in making and evaluating disclosure decisions. Specific disclosure requirements should remain in individual standards since they should not be separated from their context.

Considering the next steps that the FASB might undertake, the groups think that there is also a need to reconsider existing disclosures to determine whether there are requirements that have become outdated by market or technological developments (or duplication by other regulatory requirements) and could be deleted or downsized. Such review would be in the interest of making disclosures more useful to stakeholders and less burdensome to preparers.

The groups think that the disclosure framework should emphasize maintaining or enhancing the timeliness of disclosure, both when defining new disclosure requirements and when revisiting existing disclosure. As the volume and complexity of all forms of required disclosure increase, it

¹¹ *Presentation of Financial Statements (Topic 205)- Disclosure of Uncertainties about an Entity's Going Concern Presumption* Exposure draft.

Substantial Doubt: Substantial doubt about an entity's ability to continue as a going concern (**going concern presumption**) exists when information about existing conditions and events, after considering the mitigating effect of all of management's plans (including those outside the ordinary course of business), indicates that it is known or probable that an entity will be unable to meet its obligations as they become due within 24 months after the financial statement date. The term *probable* is used consistently with its use in Topic 450 on contingencies.

is uncertain whether companies' ability to produce timely financial statements at the same level of accuracy and thoughtfulness could be sustained.

In conclusion, the groups think that the ED is a constructive and positive proposal and should be revised and accepted. However, this phase of the project will not address the disclosure problem.

The IIF and its working groups stand ready to support the FASB in its ongoing effort to improve the disclosure area. Should you have any comments or questions on this letter, please contact the undersigned or Veronique Mathaud (vmathaud@iif.com; +1 202 682 7456).

Very truly yours,

A handwritten signature in black ink, appearing to read "David Schwan", with a long horizontal flourish extending to the right.

Copy: IASB
AEG

Appendix: Responses to detailed questions

Question 1: *Should financial statements of employee benefit plans be excluded from the scope of this chapter of the conceptual framework?*

The groups think that specific requirements should be left in the related specific standards. Employee benefit plans should not be treated differently.

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?*

In general, the concepts are appropriate and relevant to disclosure. Many of the concepts and statements are useful and help to define the goals and the limits of the notes. In many cases, however, the examples for disclosure are inconsistent with the concepts, and should be revised or eliminated.

The framework should start this discussion by stating that the fundamental purpose of financial statements is to provide relevant and reliable information about an entity's historical financial position, results of operations, and cash flows. The Board could include a quotation from Concepts 1, *Objectives of Financial Reporting*, such as the language in paragraph 21, which states:

“The information provided by financial reporting largely reflects the financial effects of transactions – events that have already happened. Management may communicate information about its plans or projections, but financial statements and most financial reporting are historical.”

The framework should clearly state that the focus of the financial statements is the communication of historical information regarding current periods that users can use to help understand the issuer's business and to predict future cash flows.

Footnote 6 in Paragraph D14¹² should be incorporated into the main text and emphasized, to limit the scope of disclosure needed to understand the environment in which the entity operates.

Paragraph D15¹³ seems meaningful but needs further refinement to ensure it would be applied properly. Disclosure should not be assumed to be the solution to difficulties of defining criteria for recognition or derecognition. It can be difficult to provide meaningful information about

¹² **D14 footnote 6.** As discussed in paragraph S5, it is not necessary for a reporting entity to provide information if users can be presumed to be aware of the information because it is readily available from sources other than the entity at little or no cost.

¹³ **D15.** Third, notes provide information about other past events and current circumstances and conditions that will or may affect an entity's future cash flows but that have not affected a line item. The effects of events, circumstances, or conditions of that type may not be recognized because they have not (or the entity cannot determine whether they have) created resources of the entity or claims against the entity or caused changes to existing resources or claims. They also may not be recognized because the creation of, or changes in, resources or claims have not met the criteria for recognition or the Board has decided to prohibit or not to require recognition.

items which do not meet the criteria to be recognized on balance sheet or in off balance sheet disclosures, particularly if there is uncertainty.

The Board should also consider differences in requirements between public companies and private companies before requiring additional disclosure that addresses a gap in disclosure for only one of those two types of reporting entities. The Board in collaboration with other bodies should consider that public companies subject to MD&A and other SEC requirements ought to be allowed to eliminate duplicated disclosures if those disclosures are required both outside and inside of financial statements. The same would apply where disclosures are mandated by prudential regulators, pursuant to the Basel Committee's Pillar 3, specific disclosure requirements for liquidity or other similar disclosures. While the Board should of course define independently what is required in financial statements prepared under U.S. GAAP, it should both make clear that cross-references to such financials from other bodies of disclosure are permitted and should allow cross-references to information that would be outside of U.S. GAAP would be appropriate for non-GAAP information.

While recognizing that there is a tension between audited data and non-audited data that may, at least in the current state of standards and regulations, effectively preclude cross referencing with other bodies of disclosure, it is especially important for the banking industry for there to be limitation and clarity regarding those disclosures that are within the scope of audit, and allow for physical location of forward looking information in other areas of the annual report or in other documents. Cross-referencing and efficient use of technology are to be encouraged in order to reduce duplications and to foster easy navigation of disclosures as a whole, but without unwarrantedly expanding the scope of audit.

Against this background, the intended thought process outlined in paragraph D21¹⁴ should be reconsidered: the decision as to what information ought to be included in financial-statement disclosure requirements should depend on an assessment of whether such disclosure is an important component to understanding the financial statements as such and not on whether it believes the information ought to be audited.

The groups think that the disclosure framework should emphasize maintaining or enhancing the timeliness of disclosure, both when defining new disclosure requirements and when revisiting existing disclosure. As the volume and complexity of all forms of required disclosure increase, it is uncertain whether companies' ability to produce timely financial statements at the same level of accuracy and thoughtfulness could be sustained.

¹⁴ **D21.** The Board attempts to avoid requiring information in notes that entities are otherwise required to provide, for example, in SEC filings or other regulatory reports. However, there are valid reasons why the Board at times considers requiring disclosure of information in notes when the entity provides similar or identical information in other forms of communication. For example, some entities whose resource providers would find the information useful may not be subject to the requirement to provide it in any other form of communication. Also, the form of communication in which the information is provided may not be required every period or may not be as timely as the financial statements and notes. Finally, the information provided in that other form of communication may not be as complete or subject to the same degree of scrutiny and verification as information in financial statements

Question 4: *Are there additional concepts needed to identify information that is unsuitable for requirement by the Board in notes to financial statements even though that information would be consistent with the purpose of the notes?*

The groups think paragraph D57 overlaps with the disclosure requirements exposed in the *Presentation of Financial Statements (Topic 205) - Disclosure of Uncertainties about an Entity's Going Concern Presumption* Exposure draft. The disclosure framework should not include these paragraphs as such but refer to the specific requirements of any events, conditions and circumstances that give substantial doubt about an entity's ability to continue as a going concern.¹⁵

Question 5: *Do the decision questions in Appendix A identify the information appropriate for the Board to consider requiring for disclosure when setting standards related to line items and other past events and current circumstances and conditions that can assist resource providers in their decision making?*

Since the vast majority of the questions would always result in positive responses, the groups are unclear whether the questions provide a sufficient framework in which to seek a balance between applicability and usefulness/volume.

Question 6: *Does the discussion in paragraphs D43–D50 identify the information appropriate for the Board to consider when setting standards related to information about the reporting entity?*

It is unclear how the discussion would be applied in the FASB's decision making process and it is unclear how or whether such concerns should or could be addressed in disclosure requirements in an individual accounting standard. The FASB should clarify how it believes these concepts would be applied to individual projects.

It is inappropriate to require disclosure of both accounting judgments and alternatives that a firm may have considered. It is necessary and appropriate to disclose accounting policies adopted by a reporting entity, and to disclose the accounting treatment of a material transaction where such treatment may not be obvious, but the groups do not understand the usefulness to users of financial statements of disclosing the "decisions" and "uncertainties" referred to in paragraphs D48, D52d and D56. Judgments behind accounting decisions, including consideration of possible alternatives, are generally driven by specific facts and circumstances, so it is unlikely that users would be able to compare such accounting decisions across reporting entities. In addition, such accounting decisions may involve applications of complex accounting rules; how

¹⁵ *Presentation of Financial Statements (Topic 205) - Disclosure of Uncertainties about an Entity's Going Concern Presumption* Exposure draft.

Substantial Doubt: Substantial doubt about an entity's ability to continue as a going concern (**going concern presumption**) exists when information about existing conditions and events, after considering the mitigating effect of all of management's plans (including those outside the ordinary course of business), indicates that it is known or probable that an entity will be unable to meet its obligations as they become due within 24 months after the financial statement date. The term *probable* is used consistently with its use in Topic 450 on contingencies.

a firm decided to apply such complex rules to potentially complex facts would either need to be voluminous, detailed, and technical, or would not be useful (or both). Paragraphs D52d, D56 and D48 should be revised accordingly.

***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?*

The concepts for future-oriented information still need refinement. Even though the Board recognizes that communication of future-oriented information could have unintended and negative effects¹⁶, such recognition should be more clearly included in the final document through the elimination of examples that are inconsistent with the principle. As stated above, potential rather than actual future litigation or enforcement actions are inappropriate for inclusion in the audited financial statements. In addition, providing forecasts and budgets to help users to back test their own assessments would not necessarily add to the understanding of the current financial statements, except in limited cases discussed below. This is not necessarily a question of cost constraints but more a question of relevance to the financial statements. The scope for disclosure of management's plans and strategies should be expressly limited. Taken to the extreme, this would require extra disclosure regarding market-making financial instrument portfolios.

In many cases, the examples for disclosure are risk factors rather than explanations of financial line items. Risk factors, while useful, should remain outside the scope of the footnotes.

As stated in paragraph 27¹⁷, hypotheses and forward-looking information should generally only be required to be disclosed when data are part of measurement of the assets or liabilities such as fair value measurement. Under such conditions, such information would be relevant to users to understand better the nature of the measurement.

¹⁶ **D23.** However, there sometimes are potentially significant negative consequences to issuers of financial statements (and ultimately to their investors and creditors) of providing some future-oriented information. Predictions, projections, forecasts, or similar assertions about uncertain or unknown future events that are beyond management's control cause the most concern because some of that information may turn out to be materially different from the actual future events or conditions when they occur. Some potential consequences are litigation or threat of litigation and loss of credibility.

¹⁷ **D27.** The first is information about estimates and assumptions used as inputs to measurements, many of which are future oriented and internally developed. Information about those inputs often is an important part of a faithful representation of a line item and does not create the same degree of risk of negative consequences as do projections or predictions about future events that are not within a line item in the financial statements. Many such inputs relate to fair value measurements (which are estimates of current market prices). Those inputs reflect a market perspective instead of the entity's own perspective and are required specifically to be based on existing conditions and currently available information. In addition, they are either probability weighted or discounted at a rate that allows for risk and uncertainty. Even the results of entity-specific measurement inputs are purported to represent the way the entity views an item at the reporting date on the basis of existing conditions, and are not purported to be predictions. However, some entity-specific measurements also include projections or predictions about future events (for example, salvage value, useful lives, and bad-debt percentages) that are important to faithful representation of the line item. Because that information explains amounts included in financial statement line items, it would be appropriate for the Board to consider requiring disclosure of these inputs. In contrast, estimates of future revenues related to future sales transactions or the timing of those revenues would not be related to past events or current conditions or circumstances. Therefore, that information would be inappropriate for the notes unless it was an input to a current measure of an asset or a liability.

Finally, the groups would like to comment on the discussion in Paragraph D30¹⁸. The groups believe the Board uses this discussion only within careful bounds. First, it can be difficult to ensure such sensitivities are meaningful and relevant. Second, the groups are of the view that disclosure requirements are not a satisfactory remedy for lack of consistency between accounting regimes. Such additional requirements are at once costly and burdensome to preparers, a source of further complexity.

Question 8: *Do the concepts in this chapter appropriately distinguish the types of information that are appropriate for the notes from the analysis management provides in other communications?*

The groups do not believe that the chapter appropriately distinguishes the types of information that are appropriate for the notes versus other communications. In order to make such distinction, the groups believe that the FASB will need to address disclosures for public companies separately from private companies, in order to address the FASB concern in paragraph D21.

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?*

The groups think that interim disclosure should be limited to financial statements and notes that explain significant changes between the annual report and the end of the period. Interim statements should clearly be subject to limits intended to avoid creating the burden of establishing a full set of disclosure. Again, a principle should be provided to make it clear that judgment and relevance are the main drivers.

Question 10: *If no disclosure guidance for a transaction, event, or line item is specified in U.S. GAAP, how will an entity consider the non-authoritative guidance in this chapter?*

The groups consider that the guidance is helpful and might use it to make final decisions whether or not disclosure should be added. Clear guidance of a general nature should help inform issuers' disclosure decisions, and users' understanding of the principles of disclosure within the accounting framework.

¹⁸ **D30.** One way to provide that information is by quantifying the effects of a specified change in economic conditions, for example, a 100-basis-point change in market interest rates. The Board might require that information in some circumstances if the information reflects the results of changing the inputs to a mathematical model and it is clearly explained that the effect (a) is specified in a standard and (b) does not represent a prediction by management. That sort of disclosure is different from a disclosure that requires an entity to predict changes in inputs, which are outside of its control and quantify those effects.