December 7, 2015

Submitted via email: director@fasb.org

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

File Reference No. 2015-310

Dear Technical Director:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MSCPA) appreciates the opportunity to respond to certain matters in the Proposed Accounting Standards Update—*Notes to Financial Statements (Topic 235): Assessing Whether Disclosures are Material*. The views expressed herein are written on behalf of the TIG of the MSCPA. The TIG has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to the society's membership. The views expressed in this letter have not been approved by the MSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the MSCPA.

We generally agree with the direction taken by the Financial Accounting Standards Board (Board) and agree with the effort to clarify within Generally Accepted Accounting Principles (GAAP) that materiality is a legal concept. We believe that this change aligns GAAP with existing practice in the United States. The proposed amendment is an important step in the process of simplifying financial statement disclosures.

However, we acknowledge that, while this change is desirable, the practical impact of the change will be reduced by other factors that the Board is not able to change. These factors include:

- the need for preparers to use significant judgment in assessing materiality and the needs of financial statement users,
- the auditor's responsibilities to communicate misstatements that are more than trivial to management and audit committees, even if those misstatements are immaterial,
- the evaluation of misstatements and potential misstatements contained in financial statements not only individually, but in the aggregate,
- the risk of regulatory questioning and action as a result of omitted disclosures, and
- the preparer's responsibilities to document and explain omissions.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about any of the following comments. Please direct any questions to Mark Winiarski, TIG Chairman, MWiniarski@CBIZ.com.

Sincerely,

Mark Winiarski, CPA
TIG Chairman

Jeffrey P. Antrainer
Project Leader

Robert A. Singer, Ph.D., CPA
Project Leader

The following responses address selected questions:

Question 1: Would assessing materiality subject to the proposed changes to paragraphs 235-10-50-7 through 50-8 be any easier than under current GAAP? If yes, please explain why.

Response: We believe assessing materiality subject to the proposed changes stated in this revised update would provide direction to the entity and remove uncertainty regarding what information management should disclose in the notes to the financial statements. Reliance on the legal concept of materiality as opposed to an entity-specific relevance criterion align GAAP with current practice and would mitigate much of the confusion regarding the amount of information required to be included in the notes to the financial statements.

Question 2: Would applying the amendments in this proposed Update significantly increase or reduce costs of preparing the notes to financial statements? Why or why not?

Response: We believe that application of the amendments in this proposed update would result in an insignificant reduction in the costs of preparing the notes to the financial statements. Linking materiality to a legal concept as defined by the courts and anchored to specific legislation and/or judicial precedents aligns GAAP to existing practice and limits the uncertainty with respect to the manner in which management would assess materiality. In this regard, management will have a clearer understanding of the requirements that must be met to justify a decision to omit information on the basis that it is immaterial. We believe that through the discussion created by the proposed amendment and the clarification provided, if adopted, management may be less likely to adopt a shotgun approach and include a significant amount of unnecessary information in the notes to the financial statements. However, even with these amendments, management will likely continue to feel impelled to disclose all matters regardless of their significance in order to avoid additional effort in supporting the decision to omit, potential litigation risks, or SEC staff comment letters asking for explanation and analysis about the immateriality of omissions.

Question 3: Would the amendments in this proposed Update change the information you otherwise would include in the notes to financial statements? Why or why not? If yes, how would that increase, diminish, or otherwise change the notes' usefulness to investors, creditors, and other financial statement users?

Response: We believe that the Update could change the information that preparers would include in the notes to financial statements, but that this amendment will by itself not be sufficient to cause significant change. Amendment one that states that materiality (based on a legal concept) "applied to quantitative and qualitative disclosures in the aggregate in the financial statements taken as a whole" provides a unifying construct from which management can evaluate particular events or transactions as having a material effect. Rather than assessing materiality solely on the basis of individual items, this provision would direct management to consider how a particular transaction or event when combined with similar or related transactions or events affects the financial statements as a whole. Thus, disclosure of the event is predicated on whether it has a material effect by itself and/or whether it, in conjunction with other similar or related events, would have a significant effect on the financial statements in the aggregate. In this respect, effective implementation of this amendment will enhance the informational content and relevance of the financial statements.

We expect that the effectiveness of this amendment will be reduced by management and their auditor's concerns about potential litigation, the difficulty of assessing what the financial statement users may consider material, and the increase in work necessary to respond to questions about omissions that may be received by management from auditors, audit committees, and regulators.

Question 4: Do you expect regulatory, legal, or audit consequences that would affect your ability to consider materiality when selecting information to be disclosed in notes to financial statements? Please explain.

Response: While we believe that the amendments to Topic 235 will ease the burden of assessing materiality when selecting information for disclosure in the notes to the financial statements, regulatory, legal or audit consequences will continue to have an effect on management predispositions in this area. Indeed, management and auditor legal liability under Sarbanes-Oxley and, in the case of financial institutions, Dodd-Frank, will encourage more rather than less disclosure on the part of management. However, to the extent that the update would require the disclosure sections contained in each accounting standards codification to incorporate all three of the changes proposed, management will be able to grapple with the vague concept of materiality. Without the amendments, materiality will continue to be loosely defined and lead managers fearful of legal or other sanctions to adopt a shotgun approach and include information regardless of its relevancy. The inclusion of excessive information, lacking relevance and/or significance might cause users to overlook important information about key financial events or transactions. The amendment which anchors materiality to a legal concept, similar to that of the SEC provision regarding materiality, provides the starting point for efforts to minimize tendencies to overload the notes to the financial statements with insignificant or irrelevant information.

Question 5. How would you disclose information in comparative financial statements if assessments in materiality differed in years?

Response: We do not believe that a differing assessment of materiality for a specific disclosure between years in comparative financial statements would be problematic. In general, we believe a disclosure would be included for all years if it were material in one year to facilitate readability and to assist the financial statement user with understanding that a material change occurred from one period to the next.

Question 6: Should the Board eliminate from the Accounting Standards Codification phrases like “an entity shall at a minimum provide” and other wording that could limit an entity’s discretion to omit immaterial disclosures? Are there particular Topics or Sections in which those changes should not be made? Are there additional paragraphs within the Accounting Standards Codification in which the wording is particularly restrictive and is not identified in Appendix B of this proposed Update? If so, please identify them.

Response: Yes. The Board should eliminate from the Accounting Standards Codification phrases like “an entity shall at a minimum provide” and other wording that could limit an entity’s discretion to omit immaterial disclosures. The elimination of these immaterial disclosures will improve the efficiency and effectiveness of the communication and make the material information more apparent.

No. We do not believe there are any particular Topics or Sections within the Accounting Standards Codification that should be excluded from the aforementioned change.

We have not identified any additional paragraphs within the Accounting Standards Codification in which the wording is particularly restrictive and is not identified in Appendix B of this proposed Update.

Question 7: Do you agree with the proposed amendment that would explicitly state that the omission of an immaterial required disclosure is not an accounting error? Why or why not?

Response: Yes. We agree the amendment should explicitly state that the omission of an immaterial required disclosure is not an accounting error. We agree that excluding immaterial disclosures can improve the effectiveness of the financial statements and accordingly omitting an immaterial disclosure should not constitute an accounting error. In addition, this change may help alleviate a preparer’s or an auditor’s reluctance to eliminate immaterial disclosures due to litigation and regulatory concerns.

Question 8: Are there considerations other than those discussed in this proposed Update that would apply to not-for-profit entities?

Response: No. We do believe there should be special considerations for not-for-profit entities.

Question 9: Should the proposed amendments be effective upon issuance?

Response: Yes. The proposed amendments should be effective upon issuance. We do not believe the proposed amendments will be difficult or costly to implement. The proposed Update will make preparers’ evaluation of disclosures more efficient, but will not be able to alleviate the challenges of applying judgment to what information is material to the financial statements and their users, the requirements to explain the omission of immaterial items to auditors, audit committees, or regulators, and the risk associated with litigation.