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Technical Director
Financial Accounting Standards Board (FASB)
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via email to director@fasb.org

Re: File Reference Nos. 2015-300 and 2015-310

Dear Technical Director:

We are pleased to comment on the Financial Accounting Standards Board's (FASB or Board) *Proposed Amendments to Statement of Financial Accounting Concepts*, Conceptual Framework for Financial Reporting – Chapter 3: Qualitative Characteristics of Useful Financial Information and *Proposed Accounting Standards Update*, Notes to Financial Statements (Topic 235) – Assessing Whether Disclosures are Material (Exposure Draft or Proposal).

We support the Board in its decision to address the issue of materiality as it relates to financial reporting. However, we have the following comments and observations on each of the Proposals.

Proposed Amendments to Statement of Financial Accounting Concepts, Conceptual Framework for Financial Reporting – Chapter 3: Qualitative Characteristics of Useful Financial Information

Definition of Materiality

Although, we agree with the Board's proposal to observe the definition of materiality as set forth by the U.S. Supreme Court, we do not believe that materiality should be referred to as a legal concept in either the Statements of Financial Accounting Concepts or the FASB Accounting Standards Codification (Codification). Introducing the concept of legality into the assessment of materiality by companies could result in companies determining they are required to seek out the guidance of legal counsel in assessing whether a financial statement disclosure is immaterial. We suggest the Board amend paragraph QC11 of Chapter 3 of Concepts Statement 3 as follows: The Board observes the following definition of materiality "Information is material if there is a substantial likelihood that the omitted or misstated item would have been viewed by a reasonable resource provider as having significantly altered the total mix of information". Further, we believe it is very important that the definition of materiality be included in the Master Glossary of the Codification so that it becomes "authoritative" and required to be followed by financial statement preparers when making materiality assessments as it relates to the presentation of financial statements prepared in accordance with GAAP as promulgated by the Board. If the definition remains solely in the Concepts Statements, one could argue that the definition of materiality observed by the Board is optional which could result in financial statement preparers using differing definitions of materiality.

Proposed Accounting Standards Update, Notes to Financial Statements (Topic 235) – Assessing Whether Disclosures are Material

Disclosure of Information When Changes in Materiality Assessments Occur

With respect to the disclosure of information in comparative financial statements in the event of a change in materiality assessment, we believe it to be appropriate for entities to not be required to include disclosures previously determined to be material and included in prior period financial statements in subsequent period financial statements. For example, an entity may determine fair value disclosures related to impaired loans to be material in a particular year based on a materiality assessment performed at that time. In the immediate subsequent year (i.e. current year), the entity reassesses materiality and determines that the fair value disclosures are not material to the current year financial statements. As a result, the comparative financial statements include the fair value disclosures for the prior year but are not presented for the current year. Regardless of the final decision by the Board the final standard should include explicit guidance, including illustrative examples, on how information should be disclosed in the event of a change in materiality assessment.

Removal of Phrases that May Limit Discretion to Omit Immaterial Disclosures

We encourage the Board to carefully consider the impact of the removal of such language before making final amendments to the Codification. For instance, consider the proposed changes included in the Flexible Disclosure Requirement Example. The example includes the following proposed changes:

ASC 718-10-50-1: “Entities shall provide disclosures required by this Subtopic to the extent material. The disclosure requirements that follow enable enables users of the financial statement to understand all of the following.”

ASC 718-10-50-2: “The following list indicates the minimum information needed to achieve the objectives in the preceding paragraph and illustrates how the disclosure requirements objectives in paragraph 718-10-50-1 might be satisfied.”

The removal of **“indicates the minimum information needed to achieve the objectives in the preceding paragraph”** and **“requirements”** from paragraph 718-10-50-2 would appear to remove any **“required”** disclosures from the Subtopic. Therefore the requirements mentioned in paragraph 718-10-50-1 would not appear to exist if the amendments are made as proposed. This could cause some to conclude that there are not any required disclosures even when deemed material but rather a list of disclosures that might be considered. We believe the proposed changes to paragraph 718-10-50-1 provide sufficient direction to consider the disclosure requirements of the Subtopic to the extent they are considered material and that the proposed changes to paragraph 718-10-50-2 will actually cause confusion amongst financial statement preparers and stakeholders. A possible solution to alleviate the potential for confusion might be to amend paragraph 718-10-50-2 as follows:

The following list indicates the required disclosures needed to satisfy the objectives in paragraph 718-10-50-1 to the extent they are determined to be material.

Applicability to Immaterial Financial Statement Errors

Paragraph BC11 clarifies that the Proposal would only apply in the context of disclosure requirements and that it would be inappropriate to apply the proposed amendments by analogy to other sections. We suggest that the Board consider including a scope section in the final standard as issued. Not all stakeholders are familiar with the valuable information contained in the Background Information and Basis for Conclusions section. This could result in some to attempt to analogize the guidance set forth to other related areas such as immaterial financial statement errors.

Should you have any questions, please contact Scott G. Lehman at (630)574-1605 or scott.lehman@crowehorwath.com.

Sincerely,

Crowe Horwath LLP

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