



RSM US LLP

One South Wacker Drive, Suite 500  
Chicago, IL 60606

[www.rsmus.com](http://www.rsmus.com)

February 5, 2016

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

### **File Reference No. 2015-340**

Dear Ms. Cospers:

RSM US LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Government Assistance* (Topic 832): *Disclosures by Business Entities about Government Assistance* (the “proposed Update”). Overall, we are supportive of the Board’s efforts to increase the transparency about government assistance arrangements. However, given the diversity in practice that currently exists because of the lack of explicit guidance in generally accepted accounting principles (GAAP), we encourage the board to undertake a comprehensive project that also addresses recognition and measurement guidance. While we understand the concerns about the resources that would be required to complete a comprehensive project, we believe that consistent recognition and measurement guidance would improve comparability among entities and therefore reduce the need for some of the extensive disclosures included in the proposed Update as well as reduce the need for users to recast or modify the financial statements to meet their specific needs. Perhaps some of the resource concerns could be addressed by narrowing the scope of the project to exclude government assistance agreements that are within the scope of Topic 740, Income Taxes. The diversity does not appear to be as prevalent in agreements within the scope of Topic 740, and we believe the existing disclosure requirements in that Topic provide adequate disclosure of agreements that have a material impact on the effective tax rate.

Notwithstanding our recommendation above, provided below for your consideration are our responses to certain of the “Questions for Respondents” on which specific comment was requested.

### **Responses to Questions for Respondents**

**Question 1:** *Do you agree that the scope of the amendments in this proposed Update should be limited to legally enforceable agreements in which an entity or entities receive value from a government? Do you also agree that the scope of the proposed amendments should not apply to transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer? If not, what other types of arrangements should be included in or excluded from the scope of the amendments in this proposed Update? Explain why.*

We agree with limiting the scope of the amendments in the proposal to legally enforceable agreements in which an entity receives value from a government. However as more fully detailed in our response to Question 3, we believe that items within the scope of Topic 740 should also be excluded. We also agree that the proposed amendments should not apply to transactions in which

**THE POWER OF BEING UNDERSTOOD**  
AUDIT | TAX | CONSULTING

Susan M. Cospers  
Financial Accounting Standards Board  
File Reference No. 2015-340  
February 5, 2016  
Page 2

the government is legally required to provide assistance because an entity meets eligibility requirements that are broadly available or transactions in which the government is solely a customer.

**Question 2:** *Do you agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance? If not, please explain why and what proposed disclosure requirements you believe should differ. Are there any unique types of foreign assistance that should be considered? If so, explain why and be specific about any unique types of foreign assistance.*

We agree that the disclosure requirements should be the same for both domestic and foreign assistance.

**Question 3:** *Do you agree that the scope of the proposed amendments should not exclude government assistance agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.*

We do not believe that agreements within the scope of Topic 740 should be included within the scope of the proposed amendments. We have heard concerns from preparers about the amount of time and effort that would be required to obtain and evaluate all of the relevant information from the different jurisdictions in which they operate. Generally the impact of these assistance programs would be limited to a few lines within the financial statements and if material would already be addressed by the disclosure requirements of Topic 740. We also note that the diversity that exists in other areas of governmental assistance programs is typically not present within the area of income taxes because of existing GAAP and implementation guidance surrounding the recognition, measurement and disclosure of income taxes.

**Question 4:** *Do you agree that the scope of the proposed amendments should exclude NFP entities? Alternatively, should any proposed disclosure requirement(s) be applied by NFP entities? If so, specify which proposed disclosure requirement(s) and explain why.*

Because the needs of the users of the financial statements of NFP entities are generally different than that of other entities and guidance is already included in Topic 958, we agree that NFP entities should be excluded from the scope of the proposed amendments.

**Question 5:** *Are the proposed scope and disclosure requirements operable and auditable? Do your existing information sets and systems, internal controls, and so forth capture the information required to be disclosed by the proposed amendments? If not, which aspects of the scope or disclosures pose operability, auditability, and/or cost issues and why?*

There may be instances in which large multi-national entities may have difficulty obtaining the information necessary for the required disclosures because information systems are not currently designed to capture the information. There may also be instances in which confidentiality agreements would prohibit disclosure of certain provisions of the agreements. Expanding audit procedures to ensure all material agreements are included in the disclosure could also present some auditing challenges. Removing the requirements to disclose assistance received but not recognized directly in any financial statement line item as more fully discussed in our response to Question 6, would reduce some of these concerns and reduce complexity.

Susan M. Cospers  
Financial Accounting Standards Board  
File Reference No. 2015-340  
February 5, 2016  
Page 3

**Question 6:** *Do you agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item? If not, explain why.*

There will be operational challenges in computing and auditing the amount of assistance received but not recognized directly in a financial statement line item. There will also be difficulties in determining what is truly impracticable to obtain. Because of the significant amount of judgment that would be involved in estimating certain amounts and the resulting lack of comparability among entities, we question whether the cost of obtaining and auditing the information would support the potential benefit to the users of the financial statements. We recommend that the FASB conduct additional outreach with the users of the financial statements to see if the information is really decision useful or if disclosure of the existence and the related terms of the agreements would provide them with sufficient information.

**Question 9:** *The proposed amendments would not amend Topic 270, Interim Reporting, to add any specific interim disclosure requirements. Instead, required interim disclosures about government assistance would be limited to material changes occurring since the most recent annual period. Should the proposed amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?*

We do not believe that there is a need for additional interim disclosures. The existing requirement to disclose material changes occurring since the most recent annual period should be sufficient.

**Question 10:** *Do you agree that the amendments in this proposed Update should be applied to all agreements (a) existing at the effective date and (b) entered into after the effective date with retrospective application permitted? If not, explain why.*

We believe that prospective application of the proposed amendments is most appropriate as it balances the needs of users with the costs to preparers. There may however be situations where retrospective application may be preferable and therefore we support the flexibility of allowing for but not requiring it.

**Question 11:** *The proposed amendments would apply to both public business entities and nonpublic business entities (private companies). Should the proposed amendments be different for nonpublic business entities? If so, describe why and how you think they should be different.*

If the Board decides to maintain the requirement to disclose the amount of government assistance received but not recognized directly in any financial statement line item, we believe that private companies should only be required to disclose the terms and nature of the agreements but not the amounts. Generally, the users of private company financial statements have direct access to management and therefore have the ability to get additional information about the particular government assistance program if they desire.

**Question 12:** *How much time would preparers need to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?*

We don't think a significant amount of time will be necessary to adopt the amendments in most cases and believe companies should be allowed to adopt the guidance early. As previously discussed, there may be instances in which some entities may need to expand existing reporting systems or controls

Susan M. Cospers  
Financial Accounting Standards Board  
File Reference No. 2015-340  
February 5, 2016  
Page 4

and therefore would recommend at least a one year transition period. Furthermore, we don't think entities other than public business entities will need additional time to apply the proposed amendments as compared to public business entities.

We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017.

Sincerely,

*RSM US LLP*

RSM US LLP