Feb. 10, 2016

Technical Director
Financial Accounting Standards Board
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Re: File Reference No. 2015-340: Proposed Accounting Standards Update, *Government Assistance (Topic 832) Disclosures by Business Entities about Government Assistance*

The Not-for-Profit Committee (the committee) of the Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates the opportunity to comment on the proposed Accounting Standards Update (ASU), *Government Assistance (Topic 832) Disclosures by Business Entities about Government Assistance*. The PICPA is a professional association of more than 22,000 members working to improve the CPA profession and better serve the public interest. Founded in 1897, the PICPA is the second-oldest CPA organization in the United States. Membership includes practitioners in public accounting, education, government, and industry. The committee is composed of practitioners from both regional and small public accounting firms, members serving in financial reporting positions, and accounting educators.

General Comments

The committee supports the objectives of the exposure document "to increase transparency about government assistance arrangements, including (1) the types of arrangements, (2) the accounting for government assistance, and (3) their effect on an entity's financial statements." However, the committee has several concerns regarding the overall scope of the proposed changes, the specific proposed disclosures, and the consistency of the proposal with existing requirements included in the new revenue recognition standard.

Scope

The summary to the exposure document includes the following statement: "Today, diversity exists in the recognition, measurement, and disclosure of government assistance arrangements because no explicit generally accepted accounting principles (GAAP) exist for government assistance received by business entities." The committee agrees with this comment, and also notes that this practice diversity also exists in not-for-profit organizations. Therefore, we question the scope of the proposed ASU. The committee further notes that while the scope of the exposure document seeks to provide transparency through enhanced disclosure requirements, it does not address the diversity in accounting treatment. The committee supports broadening the scope of the proposed guidance.

The committee agrees with excluding income tax deductions from the scope of the proposed ASU. However, the committee finds cumbersome the distinction between government assistance as a result of legally enforceable agreements and those in which the government is legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements. The committee notes that the application guidance to distinguish between these different types of government assistance would add unnecessary complexity. For example, as acknowledged in the basis for conclusions, "that differences exist among jurisdictions on the establishment of a legally enforceable agreement; however, an entity would consider established practices and processes in each jurisdiction in determining whether and when an agreement with a government creates enforceable rights and obligations." Also, it is unclear whether this distinction and these new categories of government assistance are consistent with the revenue recognition guidance.

Proposed Disclosures

Disclosure of balance sheet accounts impacted by government assistance – Given that income tax credits and other deductions are excluded from the scope of the proposed guidance, the committee is not clear which line items on the balance sheet could be affected by government assistance.

Accounting treatment and disclosures of contributions in-kind – The proposed guidance indicates the following disclosure requirement.
"Unless impracticable, the amount of government assistance received but not recognized directly in the financial statements. The amount of government assistance received but not recognized includes value that was received by an entity for which no amount has been recorded directly in any financial statement line item (for example, a benefit of a loan guarantee, a benefit of a below-market rate loan, or a benefit from tax or other expenses that have been abated)."

The committee does not agree that the accounting treatment for in-kind contributions for for-profit entities should be different than the requirements for not-for-profit organizations. For example, not-for-profit organizations are required to record the benefit received from a below-market-rate loan, and yet this proposal indicates that it could be an amount that is not recorded in the financial statements of the for-profit entity. The committee does not agree that the accounting and disclosure requirements for not-for-profit entities should be more rigorous than for-profit organizations.

Accounting treatment consistent with revenue recognition standard – Based on the proposed disclosures, it is unclear whether the FASB is suggesting that accounting treatment that is inconsistent with the new revenue recognition standard is acceptable. The committee does not support this approach.

We appreciate your consideration of our comments. We are available to discuss any of these comments with you at your convenience.

Sincerely,

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