



Deloitte & Touche LLP
695 East Main Street
Stamford
USA
Tel: +1 203 708 4000
Fax: +1 203 708 4797
www.deloitte.com

February 10, 2016

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

File Reference No. 2015-340

Re: Proposed Accounting Standards Update, *Disclosures by Business Entities About Government Assistance*

Dear Ms. Cospers:

Deloitte & Touche LLP appreciates the opportunity to comment on the FASB's proposed Accounting Standards Update (ASU) *Disclosures by Business Entities About Government Assistance*.

We support the Board's efforts to increase the transparency into accounting for government assistance arrangements and to reduce the significant diversity in practice that has resulted from the lack of guidance in U.S. GAAP on this topic. In light of the need for such guidance, we encourage the Board to reconsider its decision to limit this project to disclosures. We would support the Board's expansion of the project to include the recognition and measurement of government assistance arrangements.

If the Board continues to believe that a comprehensive approach is not feasible at this time, we support the limited objective of increasing transparency into how entities account for government assistance. Thus, for government assistance transactions recognized in the financial statements, we support the Board's proposal under which entities would disclose the accounting policies they used to account for assistance received from governments and certain information about the overall nature of the assistance (including a general description of the significant types of assistance received). In addition, we believe that the final ASU should emphasize the requirements in other ASC topics under which disclosure would be required about the actual or potential impact of material arrangements or concentration of risk and uncertainties on the financial statements. For example, ASC 275, *Risks and Uncertainties*, requires disclosure of information about the potential impact of certain concentrations of risks and uncertainties, which may include an entity's reliance on government assistance. Also, ASC 740, *Income Taxes*, contains disclosure requirements regarding government assistance received through income tax benefits. Under those requirements, entities must disclose significant items related to the reconciliation between the reported amount of income tax and the amounts that would have resulted from applying the domestic statutory rates (e.g., government assistance through tax abatements).

However, as discussed below, we believe that the proposal's scope and other disclosure requirements go beyond what is necessary to achieve the Board's objective.

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Scope and Identification of Assistance

The proposed guidance would apply to entities that have entered into a legal agreement with a government to receive value. However, it would not apply to transactions in which the government is legally required to provide a nondiscretionary level of assistance to an entity merely because the entity meets the applicable, broadly available eligibility requirements. In our view, to ensure that the guidance is applied consistently, the Board should further refine the proposal's scope. For example, entities may struggle to determine whether they have received "value," particularly when they do not derive a direct benefit that is recognized in their financial records — and even more so when the government's actions benefit multiple unrelated parties. Further, some broadly available programs permit some or limited discretion by the governmental entity. A strict interpretation of "nondiscretionary" would seem to expand the scope beyond the target transactions, but there is no interpretive guidance to clarify this.

A consequence of the proposal's broad scope and lack of clarity could be significant diversity in practice. In addition, without guidance on how items may be aggregated or should be disaggregated or on how to assess materiality, the proposed ASU may lead to the disclosure of individually insignificant items.

Disclosing the Value of Government Assistance That Is Not in the Form of Assets Recognized

We believe that as a result of the proposed requirement to disclose any value received in a legally enforceable agreement with a government, entities would have to broadly capture, measure, and aggregate much more information (including information from arrangements in which an insignificant amount of value is received from a government) than they typically currently do in the financial records (i.e., value that does not qualify as an element under the conceptual framework). Further, the proposed ASU does not provide sufficient guidance on the meaning of "assistance" (as noted above) or how the "value received" by an entity should be measured (including how specific actions required by the entity to receive the value should affect the amount disclosed). In many cases, it will be difficult for entities to measure the value received. While the proposal provides an exception for impracticability, entities may feel pressured to disclose this information anyway, which would be costly — especially if there are many arrangements.

Further, given the breadth of arrangements in which entities receive some form of value from a government, the burden on preparers to gather all the information they need to provide the required disclosures (especially information that is not currently captured in the financial records) may be extensive. Entities with large global footprints may have a significant number of arrangements with various governments around the world to receive some form of assistance. These entities will need to develop and implement costly controls and systems to ensure that the value received from all government assistance arrangements is captured, properly measured, and appropriately disclosed (if the types of assistance are deemed to be within the scope of the proposed ASU). We are aware that many entities have significant concerns about whether they would even be able to implement the proposed ASU's guidance in their organization.

We encourage the Board to conduct more extensive research before moving forward with this disclosure-only solution. In the interim, the Board could issue a final ASU that specifically limits the types of government assistance for which entities would be required to provide additional disclosures to

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those agreements that have been or will be recognized in the financial statements and to disclosures not already required under other Codification topics.

The appendix below contains our responses to the proposed ASU's questions for respondents.

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please feel free to contact Mark Crowley at (203) 563-2518.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

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Appendix
Deloitte & Touche LLP
Responses to Questions for Respondents in the Proposed Accounting Standards Update

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.

No. As noted in the body of this letter, we believe that the proposed scope and required disclosures go beyond what is necessary to achieve the Board's objective, which is to increase the transparency into entities' accounting for government assistance in light of the current diversity in practice and lack of explicit guidance on this topic in U.S. GAAP. We believe that the requirement for entities to disclose any "value" received in a legally enforceable agreement with a government is too broad and may result in more diversity in practice as a result of entities' attempts to measure value received (especially for amounts not currently recognized in the financial statements).

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 are not aware of any unique types of assistance provided by domestic or foreign governments that would warrant different treatment under the proposed ASU.

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.

No. We believe that ASC 740 adequately addresses disclosure of government assistance provided through income tax benefits. Under ASC 740, entities are already required to disclose reconciling items between the reported amount of income tax and the amounts that would have resulted from applying the domestic statutory rates.

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.

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Yes. ASC 958 provides a framework for NFP entities to use in accounting for government assistance that meets the definition of a contribution. Therefore, we agree that the scope of the proposed amendments should exclude NFP entities.

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?

We are aware that many entities have significant concerns about the operability of the proposed guidance in their organization. As the Board notes in the proposal, a “vast array of government assistance arrangements exist.” Accordingly, entities that do not already have controls in place to ensure that they can comply with the proposal’s requirements would need to develop them. However, doing so could be overly burdensome or may require the use of costly information technology systems. If entities are able to comply with the proposed ASU’s guidance, the corresponding disclosures should be auditable.

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.

For the reasons noted above, we believe that the Board should be certain that such disclosures are needed and that entities are able to provide them before requiring entities to broadly gather and measure information that is typically not included in their financial records.

Question 7: For preparers, are there any restrictions (legal or otherwise) that exist in government assistance agreements that would preclude an entity (for example, confidentiality or proprietary reasons) from disclosing the information required by the amendments in this proposed Update? If so, specify what those restrictions are, whether they relate to foreign or domestic assistance, and which proposed disclosures cause concern and why.

On the basis of discussions with various preparers, we are aware that many government assistance agreements specifically prohibit disclosure of the assistance provided. We also understand that certain information in these agreements may be proprietary and that its disclosure could have implications beyond any financial statement effects.

Question 8: For users, do you agree that the information required by the proposed amendments would improve transparency about government assistance agreements? Is the information required by the proposed amendments important for your analysis of an entity? If so, specify which disclosures and why. If not, identify the disclosures and explain why. Is there additional information that should be required to be disclosed in the notes to financial statements? If so, be specific.

Not applicable.

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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 5 amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?

We agree that ASC 270, *Interim Reporting*, should not be amended to include specific interim disclosure requirements about government assistance. ASC 270 requires entities to disclose material changes in government assistance that occurred since the most recent annual report; therefore, further disclosures are not warranted.

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.

Yes.

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.

No.

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?

Depending on the scope of the final ASU, entities may need significant time to develop and implement controls for obtaining the necessary information (especially if the information is not currently captured in the entity's financial records). The FASB should conduct outreach to fully understand any implementation challenges and how much time entities would need to adopt the proposed guidance, including whether nonpublic entities may need additional time.