Grant Thornton

February 29, 2016

Ms. Susan M. Cosper, Technical Director
Financial Accounting Standards Board
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Via Email to director@fasb.org

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**Re: File reference number 2015-350**

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Fair Value Measurement (Topic 820): Disclosure Framework–Changes to the Disclosure Requirements for Fair Value Measurement*. We support the Board's objective to improve the effectiveness of disclosures about fair value measurements in the notes to financial statements, and we commend the Board for proposing a standard that, in our view, marks significant progress toward achieving that objective.

We believe there are certain changes the Board should make to the proposed guidance to improve its effectiveness.

## Scope

It is our view that the Board should amend the scope of the proposed guidance such that employee benefit plans (EBPs) and not-for-profit entities (NFPs) are exempt from certain disclosure requirements, similar to private companies. We believe that the needs of users of EBP and NFP financial statements differ from users of public business entity financial statements, and that for the former, the benefit of disaggregated quantitative information about fair value measurements does not outweigh the cost of providing it.

In addition, we note that the Emerging Issues Task Force (EITF) recently undertook a project to simplify and enhance the effectiveness of the investment disclosure requirements for EBPs under ASC 820 and ASC 960, 962, and 965, culminating in the issuance of ASU 2015-12. We believe that requiring the proposed incremental disclosures for EBPs would be contrary to the objective and outcome of the guidance in ASU 2015-12.

## Disclosure materiality

We believe that the proposed guidance should exclude references to the separate proposed guidance about disclosure materiality. While we support the Board's efforts to provide additional guidance about assessing disclosure materiality, we are aware that there are many questions and concerns among users, preparers, and auditors about the proposed guidance.

Given that the disclosure materiality guidance is not finalized and is subject to change, we recommend that this project on fair value measurement disclosures be uncoupled from the broader project to address disclosure materiality. We believe that incremental improvements can be made to the disclosure requirements for fair value measurements without concurrently dealing with disclosure materiality.

### Private versus nonpublic

We note that the guidance in ASC 820-10-50 currently includes references to both nonpublic entities (for example, ASC 820-10-50-2F) and private companies (for example, ASC 820-10-50-2G). While we are aware that these terms have unique definitions and appear to be used consistently within the guidance, we believe that their use could be confusing to financial statement preparers and auditors. Therefore we recommend that the Board consider whether the guidance in ASC 820-10-50 could be streamlined such that a single definition of a private company could be used throughout.

Our responses to the questions for respondents follow.

**Question 1: Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.**

We believe the proposed amendments will result in more effective, decision-useful information about fair value measurements, and we do not believe that the proposed amendments result in the elimination of decision-useful information about fair value measurements.

However, it is our view that the proposed guidance should exclude amendments associated with the Board's separate proposal related to disclosure materiality because that separate proposal is not yet finalized and is subject to change.

**Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?**

We believe the proposed disclosure requirements are operable and auditable.

**Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.**

We do not believe any of the proposed disclosures impose significant incremental costs. We considered whether the requirement for public business entities to disclose the range, weighted average, and time period for Level 3 inputs would impose significant incremental costs. In our view, most public business entities with material balances of Level 3 assets or liabilities have available or can readily obtain the information to comply with this disclosure requirement. Also, we note that the Board retained the language in ASC 820-10-50-2(bbb)(2), which makes clear that entities are not required to create information for purposes of complying with the disclosure requirement, which in our view mitigates the risk of entities incurring significant incremental costs in providing the range, weighted average, and time period used to develop significant unobservable inputs.

We are concerned, however, that requiring this disclosure for EBPs and NFPs could impose incremental costs without a commensurate benefit to users of their financial statements. Please see our response to Question 4B for additional commentary regarding this concern.

**Question 4A: The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies.**

We agree with the proposed exemption for private companies.

**Question 4B: Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.**

We believe that both EBPs and NFPs should be exempt from the proposed amendments mentioned in Question 4A.

In our view, including EBPs in the scope of the proposed amendments mentioned in Question 4A would be contrary to the objective of the guidance in ASU 2015-12, which amended certain fair value disclosure requirements for EBPs as part of the Board's simplification initiative. EBP financial statements are generally filed with the Department of Labor well after a plan's year-end, reducing the decision usefulness of disaggregated information about fair value measurements.

Likewise, the users of NFP financial statements have different needs than users of for-profit entity financial statements. It is our understanding that NFP financial statement users are primarily concerned with the availability of resources to fund the entity's mission, and are less focused on disaggregated information about recurring Level 3 fair value measurements.

**Question 5: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements. Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.**

We believe there are likely classes of financial instruments for which this disclosure would be inoperable or would fail to provide meaningful information. Rather than attempting to identify all such classes of financial instruments, we recommend that the Board allow reporting entities to apply the materiality guidance in ASC 105-10-05-6, *Generally Accepted Accounting Principles*, and the guidance in ASC 820-10-50-2(bbb)(2) stating that entities are not required to create quantitative information to comply with this disclosure requirement, to address instances where the proposed disclosure requirement is either inoperable or fails to provide meaningful information.

**Question 6: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?**

Similar to the other information required to be disclosed under ASC 820-10-50-2(bbb), it is our view that for most public business entities, this information will either be available or readily obtainable, and we are not aware of any significant incremental costs associated with providing it.

We are aware that the Board has received feedback from users that information about the weighted average of unobservable inputs is "very useful." We believe that information about the time period used to develop significant unobservable inputs provides additional context to understand the weighted average, and helps users evaluate points in the economic cycle that are reflected in these inputs.

**Question 7: Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.**

We are not aware of any other disclosures that should be required under ASC 820.

**Question 8: Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.**

We are not aware of any other disclosure requirements that should be removed from ASC 820.

**Question 9: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.**

We defer to preparers to provide feedback to the Board about how much time is needed to implement the proposed amendments. We believe that early adoption should be permitted because the proposed amendments streamline the disclosure requirements in ASC 820 and provide more decision useful information to financial statement users.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Mark Scoles, Partner, 312-602-8780, mark.scoles@us.gt.com or Rahul Gupta, Partner, 312-602-8084, rahul.gupta@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP