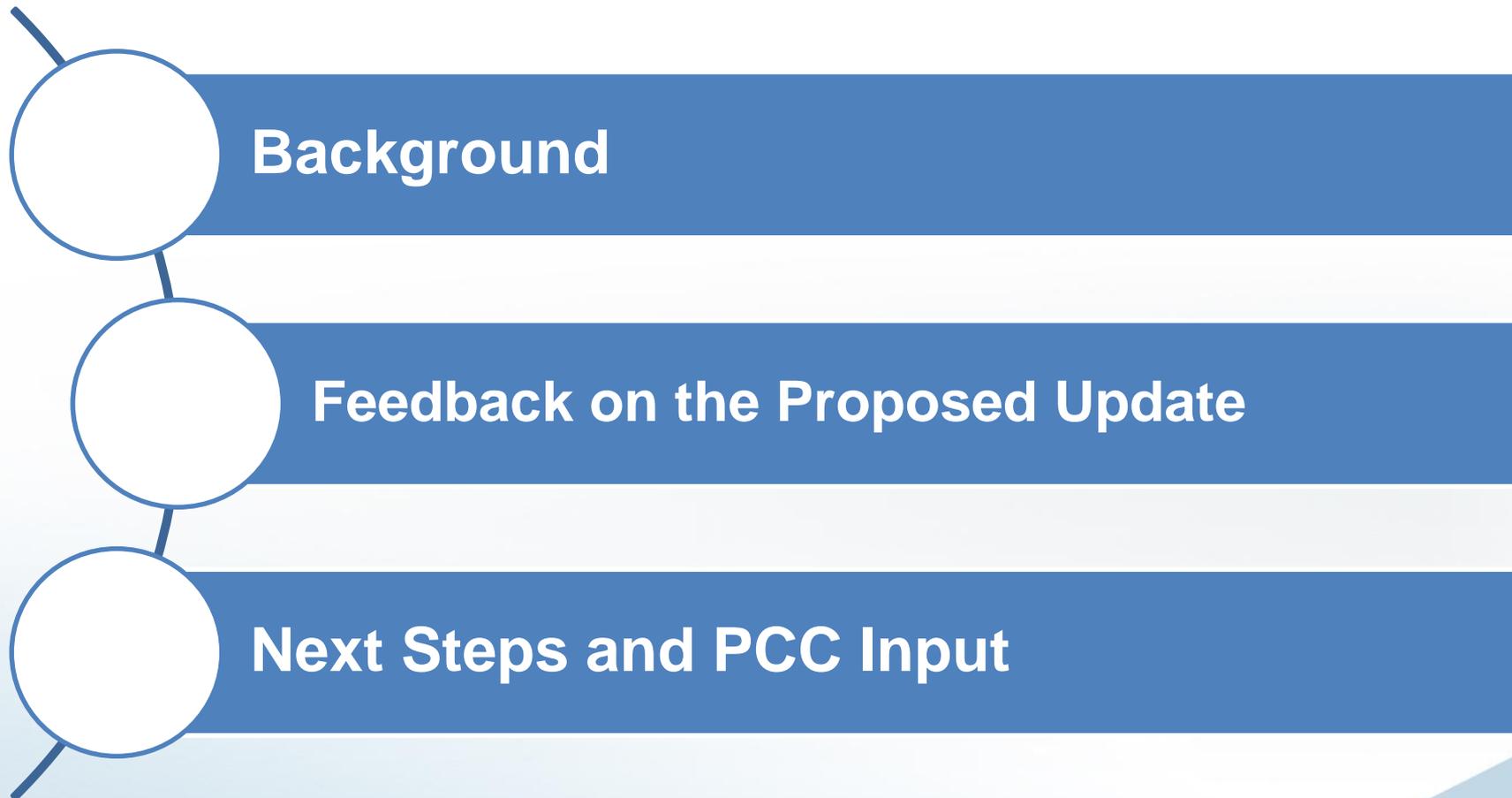


Disclosures by Business Entities about Government Assistance

Private Company Council
Meeting April 12, 2016

Agenda



Background

- Proposed FASB Accounting Standards Update, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, issued November 12, 2015
 - Comment period ended February 10, 2016
 - Comment letter demographics

Stakeholder	Responses
Auditor	9
Financial Association	13
Other	5
Preparer	12
User	1
Total	40

Feedback on the Proposed Update: Overall

- Overall, most stakeholders are supportive of the objective to increase transparency and reduce diversity in practice about the accounting for government assistance.
- Many (primarily practitioners, public company preparers, and some financial associations) urged the Board to reconsider the project as a recognition, measurement, presentation, and disclosure project.



Feedback on the Proposed Update: Scope

- Many agreed with the notion of legally enforceable agreement but suggested clarification of certain terms (for example, value and discretionary).
- Some believe the scope is too broad (for example, would include various types of assistance including loan guarantees, tax assistance, grants, low-interest loans, and so on).
- Taxes
 - Many suggested the scope should exclude agreements within the scope of Topic 740 (highlighting that the scope does not align with IAS 20, Accounting for Government Grants and Disclosure of Government Assistance).
 - Some raised questions about whether tax settlements or transfer pricing agreements are within the scope.

Feedback on the Proposed Update: *Disclosures*

- Not much pushback on the actual disclosures
 - Exception: Assistance received but not recognized
- Majority disagreed with disclosing quantitative amounts of assistance received but not recognized (however, users had mixed views).
 - Cost concerns – Companies may not have existing systems, processes, and controls to capture, track, and monitor the information. Third party specialists may need to be hired.
 - Reliability concerns – Based on the subjectivity and judgment involved with determining a value.
 - Some request clarification about the term “impracticable.”

Feedback on the Proposed Update:

Operability, Auditability, and Cost Issues

- Most concerns are related to the requirement to disclose amounts not recognized.
- Concerns come from large public companies with many locations, segments, subsidiaries, and so on.
- Practitioners may not have access to verify information for arrangements with foreign governments.

Feedback on the Proposed Update: *Confidentiality and Competitive Disadvantage*

- Concerns of breaching confidentiality clauses (primarily with foreign governments).
- Governments might be less inclined to enter into agreements knowing that information will be disclosed.
- Concerns the disclosures would result in a competitive disadvantage.

Feedback on the Proposed Update: *Other Matters*

- **Materiality and Aggregation**
 - Some requested additional guidance when individually immaterial but material in the aggregate.
 - Some suggest disclosure of only material agreements.
- **Topic 275, Risks and Uncertainties**
 - Some stakeholders (primarily practitioners) highlight that significant risks associated with the potential loss of government assistance would already be subject to disclosure in accordance with Topic 275.

Comment Letter Feedback: *Effective Date*

- Many prefer requiring disclosure of only those agreements entered into after the effective date (prospective) versus all agreements (1) existing at the effective date and (2) entered into after the effective date.
- The proposed Update would permit retrospective application.
 - Concern about retrospective application being too costly and too complex.

Next Steps

- Plan one or more decision-making Board meetings to discuss:
 - Comment letter summary
 - Staff analysis of significant issues raised through outreach and comment letters.
- Tentative Plan is to Issue final Update (Planned 2nd half of 2016).

Questions for the PCC

- Question 1: Do you agree that the proposed amendments should not exclude government agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.
- Question 2: Are there any restrictions (legal or otherwise) that would preclude an entity from disclosing information required by the proposed disclosures? If so, specify what those restrictions are, whether they relate to foreign or domestic assistance, and which proposed disclosures cause concern and why.
- Question 3: For users, do you agree that the information required by the proposed disclosures would improve transparency about government assistance agreements? Is the information required by the proposed disclosures important for your analysis of an entity? If so, specify which disclosures and why. Is there additional information that would be required to be disclosed in the notes to financial statements? If so, be specific.

Questions?