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January 4, 2017

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

### File Reference No. 2016-360

Dear Ms. Cospers:

RSM US LLP is pleased to provide feedback on the proposed Accounting Standards Update, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* (the “proposed ASU”). We appreciate the opportunity to provide comment, and we support the Board’s efforts to clarify the application of modification accounting in Topic 718. Please refer to the responses that follow for our insights on the specific questions raised in the proposed ASU.

### Responses to Questions for Respondents

**Question 1:** *Do you agree with the amendments in this proposed Update about when an entity is required to apply modification accounting? If not, why?*

We agree with the Board’s decision to limit the application of modification accounting in ASC 718 to changes in the terms or conditions of a share-based payment award in which there is either a change in the value of the award, the vesting conditions of the award, or the classification of the award. By excluding modifications in which the value, vesting conditions, and classification are the same immediately before and after the modification, the Board eliminates situations in which a non-substantive change may result in a new measurement date for the award, as may be the case for an improbable-to-improbable modification. We do not believe such changes should produce an accounting result. By providing these amendments, we believe the Board eliminates complexity while actually producing a better result.

However, we suggest consideration be given to modifying the wording in ASC 718-20-55-97. Since accounting recognition is required (i.e., the settlement is accounted for as a repurchase of an outstanding equity instrument), we believe the following suggested edits would help to eliminate any potential confusion (deletions are struck through and additions are noted in bold font):

718-20-55-97 Rather than modify the option terms, Entity T offers to settle the original January 1, 20X5, share options for fully vested equity shares at January 1, 20X9. The fair value of each share option is estimated the same way as shown in Case A, resulting in a fair value of \$3.67 per share option. Entity T considers the guidance in paragraph 718-20-35-2A and concludes that the change to the terms or conditions of the award does not change the vesting conditions or the classification of the award. If the payment in fully vested equity shares equals the fair value of the

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fully vested share options on the date of settlement, there would be no change in fair value, and Entity T would not ~~account for the effects of the settlement~~ **apply modification accounting**. However, if the payment in fully vested shares does not equal the fair value of the fully vested share options on the date of settlement, there would be a change in fair value, and Entity T would ~~account for the effects of the settlement~~ **apply modification accounting**. Entity T would recognize the settlement as the repurchase of an outstanding equity instrument. No additional compensation cost is recognized at the date of settlement unless the payment in fully vested equity shares exceeds the fair value of the fully vested share options. Previously recognized compensation cost for the fair value of the original share options is not adjusted.

**Question 2:** *Should new or different disclosures be included in Topic 718 as a result of the amendments in this proposed Update? If yes, what are those disclosures and why would they be useful to financial statement users?*

We do not believe that any amendments to the current disclosures in Topic 718 related to modifications are necessary. In situations involving significant modification, the current requirement to disclose the terms of the modification, the number of employees impacted and the incremental cost already provides financial statements users with useful information.

**Question 3:** *Are the transition requirements appropriate? If not, what transition approach is more appropriate and why?*

We agree that prospective transition is appropriate.

**Question 4:** *How much time would be needed to adopt the amendments in this proposed Update? Should the amount of time needed to apply the amendments in this proposed Update by entities other than public 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.*

The proposed amendments will reduce complexity and be applied prospectively; therefore, we do not believe any time is needed to apply the proposed Update. Also, we do not believe that entities other than public business entities will require any additional time to adopt the proposed ASU. Additionally, if the proposed Update is issued with a delayed effective date, we believe early adoption should be permitted.

We appreciate this opportunity to provide feedback on the proposed ASU 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 or Ginger Buechler at 612.455.9411.

Sincerely,

RSM US LLP