



The Association of
Accountants and
Financial Professionals
in Business

January 5, 2017

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

Re: **File Reference No. 2016-360**, Proposed Accounting Standards Update, *Compensation — Stock Compensation (Topic 718) - Scope of Modification Accounting*

Dear Ms. Cospers:

The Financial Reporting Committee (FRC) of the Institute of Management Accountants (IMA) is writing to share its views on the Financial Accounting Standards Board's (FASB) Exposure Draft (Proposal) of the Proposed Accounting Standards Update, *Compensation — Stock Compensation (Topic 718) - Scope of Modification Accounting*.

The IMA is a global association representing over 80,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations. The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. Additional information on the FRC can be found at www.imanet.org (About IMA, Advocacy Activity, Areas of Advocacy, Financial Reporting Committee).

We support the FASB's Simplification Initiative, intended to improve or maintain the usefulness of the information reported to investors while reducing cost and complexity in financial reporting. While we are not opposed to the changes suggested in the Proposal, we believe the FASB should focus their resources on areas that will result in a meaningful improvement from current practice or reduction of cost and complexity. In our view, the amendments proposed are unnecessary and do not meaningfully achieve the intended benefits of the Simplification Initiative.

If the intent of the Proposal is to more broadly address non-substantive changes and whether such changes would result in a modification, that intent is not clear. For example, a non-substantive change to an award accounted for as a Type IV (improbable-to-improbable) modification could have the effect of allowing the reporting entity to recognize a lower expense than the original grant date fair value if the vesting of the award eventually becomes probable (or it ultimately vests). If addressing such situations was the intent of the Proposal, we do not believe it necessarily accomplishes that objective. A reporting entity would be able to make non-substantive changes to the terms of awards that affect the fair value (for example, by reducing the exercise price by an insignificant amount) or vesting conditions (for



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example, by reducing the performance threshold by an insignificant amount) and achieve a new measurement of compensation cost if it was considered improbable that the award would vest according to its original and modified terms. If the Proposal was intended to address such situations, we recommend the Proposal be clarified to indicate such intent and further refinements be made to fully address such situations.

We would be pleased to discuss our comments with the FASB or its staff at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Nancy J. Schroeder".

Nancy J. Schroeder, CPA
Chair, Financial Reporting Committee
Institute of Management Accountants
nancy@beaconfinancialconsulting.com