CFGI

January 6, 2017

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

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

Dear Ms. Cosper,

CFGI, LLC is a unique and highly specialized financial consulting firm that supports companies through a range of complex business scenarios. CFGI works alongside a client's internal staff to serve a variety of roles – from technical accounting advisor and M&A support to interim Controller and CFO – and delivering valuation and other support services. CFGI provides these services to a wide array of companies from minimally staffed early-stage entities to Fortune 500 companies. Our responses within this comment letter reflect our experience and observations that comes from working with 100's of companies, both private and public, over a period of fifteen years.

We appreciate the opportunity to comment on the FASB's Exposure Draft of a Proposed Statement of Financial Accounting Standards, Compensation – Stock Compensation (the "Update"). We agree with the Board's decision to continue its initiative to provide clarity and reduce diversity in practice, as well as reduce cost and complexity. We have reviewed the Update and believe that it will partially achieve the intended goals of providing clarity and reducing diversity in practice. However, we do not believe the Update in its current form will reduce the cost and complexity of applying the guidance of Topic 718.

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 that the proposed conditions in paragraph 718-20-35-2A will provide clarity and eliminate diversity in practice with regard to which changes require application of modification accounting in Topic 718. However, we believe that the proposed guidance may not reduce the cost and complexity of applying the guidance of Topic 718, as the guidance implies entities must calculate the fair value of modified awards, both before and after the modification, for modifications that are truly administrative in nature. We note that BC14 suggests that if an entity is able to determine that a modification would not affect any of the inputs to the value calculation, that it would "likely conclude that the value immediately before and after the modification would not change." We recommend that this language be codified in paragraph 718-20-35-2A(a) to make it clear that modifications that would not change the inputs to the fair value calculation would not be treated as a modification, so long as the conditions in 715-20-35-2A(b) and 715-20-35-2A(c) are also met.

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Reference No. 2016-360

We considered proposing that the examples provided in BC9 be incorporated into the Update to provide specific exceptions to the application of modification accounting. However, we concluded that such addition may lead to continued diversity in practice due to interpretation of terms such as "administrative in nature," and therefore agree with the FASB's decision to exclude such examples from the Update. Entities making changes that are truly administrative in nature would be able to determine whether the modification would affect any of the inputs in the valuation calculation (and therefore affect the fair value (or calculated value or intrinsic value, as applicable) of the award), the vesting conditions of the award or the classification of the award, without significant cost or complexity.

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?

No, we do not believe that there should be new disclosures as a result of the amendments in the Update. We agree with the FASB's proposal that the current disclosure requirements, specifically the requirements of paragraph 718-10-50-(h)(2), should apply regardless of whether an entity is required to apply modification accounting. We believe that certain modifications, while not impacting the fair value, vesting conditions or classification of the award, would result in changes to the economic substance of the award that would be substantive to the reader.

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

Yes, we agree that the transition requirements are 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.

We do not believe a significant amount of time would be needed to adopt the amendments in the proposed Update. As one of the primary objectives of the Update is to eliminate diversity in practice, we believe early adoption should be permitted if the Update is issued with a delayed effective date. Finally, we do not believe that the amount of time needed to apply the amendments in this proposed Update by entities other than public business entities should be different from the amount of time needed by public business entities.

Sincerely,

CFGI, LLC

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CFGI, LLC.

99 HIGH STREET, 30TH FLOOR, BOSTON, MA 02110 | T: 617.531.8270 | WWW.CFGI.COM
250 PARK AVENUE, 7TH FLOOR, NEW YORK, NY 10177 | T: 212.572.6296
1500 MARKET STREET, 12TH FLOOR, EAST TOWER, PHILADELPHIA, PA 19102 | T: 215.246.3406