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January 4, 2017

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Exposure Draft, *Scope of Modification Accounting* (File Reference No. 2016-360)

Dear Technical Director:

We appreciate the opportunity to comment on the proposed Accounting Standards Update, *Scope of Modification Accounting*.

We support the Board's proposal to clarify the scope of modification accounting, and appreciate the Board's efforts to reduce diversity in practice for when companies should apply modification accounting. We do not believe that it would be difficult for public or nonpublic companies to implement the proposed changes since modifications are discrete events that they control.

KPMG's responses to the Board's specific questions are included in the Appendix to this letter.

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If you have questions about our comments or wish to discuss the matters addressed in this comment letter, please contact Kimber Bascom at (212) 909-5664 or kbascosm@kpmg.com, or Regina Croucher at (212) 954-1285 or rcroucher@kpmg.com.

Sincerely,

KPMG LLP

KPMG LLP

Appendix – Responses to the Board’s Questions

Question 1 – Changes to the scope of modification accounting

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

Yes. We agree with the proposed amendments related to when a company is required to apply modification accounting. However, we suggest that the Board not amend the definition of *modification* in the Master Glossary, as we believe the scope of the Board’s proposal is intended only to clarify *which* modifications to share-based payment awards would require a company to apply modification accounting. We are concerned that the proposed change to the definition in the Master Glossary may lead companies to infer that the proposal also would change *what* constitutes a modification.

In addition, we believe that paragraphs BC11 and BC13 provide helpful information for understanding that, without these proposals, a non-substantive modification to an award that was not probable of vesting on the modification date might have led a company to compute a value as of that modification date, if the award later becomes probable of vesting. However, these concepts are not clearly reflected in the proposed amendments. We suggest that the Board consider adding these clarifications to the proposed amendments somewhere within ASC Topic 718-10-55.

Finally, we suggest that the Board broaden the example in paragraph BC10(e). As drafted, that example focuses on adding a change in control provision, but could be revised to say “changes whereby awards are immediately vested on occurrence of an event, e.g., change in control provisions and involuntary terminations” to encompass a broader population of typical situations.

Question 2 – Disclosure requirements

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 ASC Topic 718 should include new or different disclosures as a result of the proposal. We believe that existing disclosure requirements address significant changes to the terms or conditions of a share-based payment award, even if modification accounting is not applied as a result of the proposal.

Question 3 – Proposed transition requirements

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

Yes. We agree that the proposal should be applied prospectively to modifications of awards that take place on or after the effective date.

Question 4 – Effective date

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 that it would be difficult for public or nonpublic companies to implement the proposed changes because modifications are discrete events that they control.

We believe that companies should be permitted to early adopt the proposed amendments. If early adoption is permitted, we believe the Board should clarify whether adoption in an interim period other than the first interim period of an annual year is permitted.