Grant Thornton

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Via email to director@fasb.org

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Re: File Reference No. 2016-360

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Update (ASU), *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*.

We generally agree with the Board's proposal to clarify the types of modifications that require application of the subsequent measurement guidance for modifications in ASC 718-20-35. Our responses to the proposed ASU's Questions for Respondents follow.

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?

In general, we agree with these proposed amendments. The proposed guidance in ASC 718-20-35-2A provides criteria applicable to all modifications, but we note that ASC 718-20-35-6 includes an exemption from the requirement to compare the fair values before and after the modification for a modification that adds an antidilution provision not made in contemplation of an equity restructuring. The following is one possible approach that we believe clarifies this exemption (our proposed additions are denoted by underlined text):

> 718-20-35-2A An entity shall account for the effects of a modification, as described in paragraphs 718-20-35-3 through 35-9, unless all of the following are the same immediately before and after the modification:
>
> a. The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the award<u>, except that a comparison of an award's fair value before and after a modification is not required if the modification adds an antidilution provision to an award and is not made in contemplation of an equity restructuring as described in paragraph 718-20-35-6</u>
>
> b. The vesting conditions of the award

c. The classification of the award as an equity instrument or a liability instrument.

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 for financial statement users?

We do not believe that new or different disclosure requirements are necessary, although we believe that the guidance in ASC 718-10-50-2 could be amended to clarify that a significant modification might not involve incremental compensation expense. The following is one possible approach that we believe accomplishes this clarification (our proposed additions are denoted by underlined text):

> 718-10-50-2 The following list indicates the minimum information needed to achieve the objectives in the preceding paragraph and illustrates how the disclosure requirements might be satisfied. In some circumstances, an entity may need to disclose information beyond the following to achieve the disclosure objectives:
>
> …
>
> h. For each year for which an income statement is presented, both of the following:
>
> …
>
> 2. A description of significant modifications, including:
>   i. The terms of the modifications
>   ii. The number of employees affected
>   iii. The total <u>(or lack of)</u> incremental compensation cost resulting from the modifications.

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

We believe the proposed 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 defer to preparers' views about the amount of time needed to adopt the proposed amendments.

Regarding whether entities other than public business entities would benefit from additional time to implement the proposed guidance, we believe that those entities often benefit from reading disclosures related to new accounting guidance in public business entities' financial statements. Since the proposed amendments do not require incremental disclosures, the potential benefit to entities other than public business entities from a delayed effective date is reduced. For this reason, and because the proposed amendments represent a simplification to the extent that they provide clarity about what is a "substantive" modification, it is our view that the effective date should be the same for all entities.

Regardless of the Board's decision with respect to the effective date, we believe that early adoption should be permitted since the proposed amendments represent a simplification that preparers should have the opportunity to benefit from as soon as possible.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Doug Reynolds at 617.848.4877 or Doug.Reynolds@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP