From: THOMAS SPITTERS <tom.spitters@hotmail.com>
Sent: Tuesday, April 16, 2019 8:41 PM
To: Director - FASB <director@fasb.org>
Cc: THOMAS SPITTERS <tom.spitters@hotmail.com>
Subject: Letter to Technical Director, File Reference No. 2019-400, FASB

Technical Director Susan M. Cosper April 16, 2019
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

File Reference No. 2019-400

Cf. Codification Improvements -- Share - based payments to customers (ASC Topics 606 and 718); Share - based consideration payable to customers; accounting for the share - based transaction on the balance sheet and income statement; fair value equals intrinsic value; measurement date on the contract date or the grant date -- election; non - employee awards; accounting classification of a share - based transaction; other questions.

Dear Director Cosper :

PREAMBLE : First, this commenter greatly appreciates the opportunity to give feedback on the important issue of share - based payments to customers and their accounting classification, and related topics. Commenter also congratulates the Financial Accounting Standards Board on forty years of history and standard - setting and associated activities.
The proposed codification improvements proposed by this Accounting Standards Update (File Reference No. 2019-400) should call for a contingent asset to record share - based payments to customers where fair value equals intrinsic value, and settlement for gains or revenue to customers should include provision for measurement at any date set forth in the settlement contract, presumably a revocable election for one of two dates, the grant date or the date subject to ASC Topic 718, the contract date or another settlement date established by arrangement between the issuer and the customer. Further this is appropriate given strict asset fair value considerations, though is not very neat or tidy when considering the demands for matching fair value with the date of election -- an asset valuation as certified will or would possibly and probably be needed for the share - based payments, and this is more involved than some important stakeholders would like given how the proposed guidance resolves the question of contract settlement. Not only would a formal share valuation be involved, many of the entities issuing, or that would be issuing such payments as share based are not just accelerated filers, but a. Closely held entities, b. small business, c. not only small business but private businesses at the same time.
The election referred to above should be uniform and revocable for each block of share - based payments in a contract or payment agreement, or payment using other equity instruments or consideration (such as a debt instrument), or the offer thereof, as issued by the business. The challenge of accounting for share - based payments thereby is not necessarily valuation nor is it computing revenue to customers over the measurement amount of the shares, nor does this necessarily have to do with the contra - revenue approach to recording the share - based payments as an element of gross income or as netting the payments into the revenue amount -- the challenge is a uniform presentation and disclosure and that this easily understood by financial statement users, of the share - based payments to customers.
The recording of share - based payments at intrinsic value or fair value on the asset (working capital) side of the balance sheet with a commensurate liability or liabilities by its nature more complex than an contra - credit entry allowance to be presented as a revenue item. Nonetheless, representational faithfulness and matching of fair value with transaction values is more conceptually comprehensible as presented on the balance sheet; not the gains due to settlement as these are income statement items. The recording of the share - based payments should be balance sheet only in order to facilitate an easy interpretation of actual assets and liabilities including share - based payment liabilities on the balance sheet, but of payments to customers in this class on the cash flow statement that will show cash outflows to customers of the nature of share - based payment.

Accounting policy and practice in this event needs to maximize the utility of the outgoing customer payments as management in this mode of customer payment would, all else being equal, be contrary in mind to retaining or even curtailing, or reining in what might be disadvantageous payment options to the business due to the varietal customer arrangements and agreements themselves -- in some cases it will be clear that measurement at the contract date will maximize this utility, and then measurement at the grant date on the other hand will possibly result in maximized utility in other cases. The maximization of utility gains or revenues to either the business or the customer vary in each case and these should be considered before establishing rules that will stifle, if even occasionally, the revenue and gain maximization of either the business or the customer in a desired outcome. This will also make for more active; and utility, wealth and revenue - maximizing corporate finance for the business issuing the share - based payments. The cumulative adjustment to retained earnings in the proposed guidance should be otherwise a contingent asset to be amortized by gains from share payments.

Question 1: Do you agree that share-based payment awards issued to customers as consideration payable should be measured at the grant date of the award? If not, why should there be a difference in the measurement date for share-based payment awards issued to customers and nonemployee share-based payment awards, and what other alternatives would be more appropriate?
For reasons explained in the preamble to this comment document, share - based payment awards, or equity instruments or other consideration issued to customers by an entity as consideration including convertible [debt] instruments, payable should be measured either at the grant date or the contract date (or another settlement date by contract) for each option and as a uniform, but revocable election. This might not make for very elegant presentation in the financial statements, though it will allow for the value of the options, when measured at fair value at the date by election, and the vesting and exerise of the options by their mechanism, and commenter does propose here, additional utilities to both the payment issuer and the customer and additional gains or revenues to both as well as determination by election in the settlement contract, gain recognition and all in this involving securities and any other consideration.

Question 2: Do you agree that share-based payment awards issued to customers as consideration payable should be classified in accordance with the guidance in Topic 718?
Share - based payment awards issued to customers as consideration payable should be specified and determined, and then settled according to the unique and separately specific settlement terms of the share - based payment contract and this means the nature of the share - based transaction should be followed by disclosure guidelines, not vice - versa. This commenter is overall surprised by the very neat and tidy rules without modification around this as proposed -- the matching of stock value and option amount at the grant date, vesting, 30 - 90 days to exercise and the like -- that are uniform and that simplify, but that do not enhance the incentive character of options nor do these properly maximize utility gains for both the issuing entity and the customer under the circumstances.

Question 3: Do you agree that the amendments in this proposed Update provide sufficient guidance to account for share-based consideration to a customer?
The customer and vendor need to be able to establish a proper share - based payment contract that is more than what seems to be in this guidance an attempt to equalize and to standardize the presentation and disclosure not of actual value, but of share - based payments in likening them almost to a contingent gain or loss that has again an equalized and uniform disclosure across businesses and industries and up and down the economic scale of business revenues, production and capital. Formulating a disclosure rule to emphasize and to tie down a strict framework for share - based payments and their intrinsic value, and value for potential gains as part of revenue a priori is an accounting requirement that might possibly stifle the growth of the balance sheet and the business, and unwarrantedly so. Share - based payments to anyone are directly varying and up and down in value depending upon the specifics of contract terms and factors supporting the value of equities and other consideration, and proposed present guidance appears to contradict the purpose of share - based payments themselves as they are known (in fact as compensation or payment) by experienced issuers, grantees, and in the realm of corporate finance overall.

Question 4: Are the transition requirements for the proposed amendments appropriate? If not, what transition approach would be more appropriate and why?
The transition requirements should allow for proper time, perhaps another year to eighteen months, for corporate finance departments to look into the matter properly and thoroughly and to form a consensus opinion, perhaps then later based upon shareholder and stakeholder meeting resolutions and then feedback to the FASB.

Question 5: How much time would be necessary to adopt the proposed amendments? Should early adoption be allowed?
Some businesses that have issued many share - based payments in the past, even to employees, would be available possibly and probably for almost immediate adoption of this guidance as amended, and this needs to be considered early adoption whereas businesses and their entities with less experience or functionality in knowledge and implementation practices, or those growing into that and without the experience of issuing share - based payments to third parties outside the entity will again likely have to delay adoption and implementation of the proposed amendments. The delay insofar as accelerated issuers is concerned should allow for immediate adoption as an option with a deadline of the end of the year 2019, and non - accelerated filers should, along with private companies, the prerogative to delay adoption of the proposed amendments until the end of 2020.

by,

Thomas Heaton Spitters, C.P.A. -- IAAER, IFAC, AAA
San Francisco, CA 94104 -- Telephone : (415)800-4499

Cc. FASB -- Russell G. Golden, Chairman; James L. Kroeker, Vice Chairman, Christine A. Botosan, Gary R. Buesser, Marsha L. Hunt, R. Harold Schroeder