

December 16, 2019

Mr. Shayne Kuhaneck
Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Agenda request – recognition and measurement of loss contingencies without readily determinable factors

Dear Mr. Shayne

I appreciate the opportunity to provide an agenda request to the FASB. I request that the FASB consider an agenda topic addressing further additional disclosure requirement for ASC 450 Contingencies.

Overview

Under current ASC 450-20, a contingent loss must be categorized as either remote, reasonably possible or probable, and it requires the recognition of loss contingency as follows:

If the loss is reasonably possible, the company must disclose the contingency and provide an estimate of the possible loss or range of loss. If it is probable a liability has been incurred, the company must record the estimated loss or the best estimate from within a range of losses as a charge to income. If no reasonable estimation is possible, the company must disclose the nature of the contingency and state that such an estimate cannot be made.

Under this guideline, questions have arisen related to the disclosure of confidential and sensitive information, and disclosure requirement for “remote” loss contingencies.

Although I support the Board’s effort to provide investors and financial statements users timely and adequate disclosures that would assist in assessing future cash flows associated with loss contingencies, I propose the Board to make more changes in the disclosure of confidential and sensitive information (such as disclosure of certain quantitative information around litigation matters). The detailed discussion is written below.

I believe the current guideline does not provide an explicit exemption from disclosing information that is prejudicial to an entity. Although the guideline attempts to cover the issue by asking entities to aggregate disclosure by class or type, I believe such a solution is too narrow in litigation cases. In litigation cases, it neither seems appropriate to aggregate individual litigations with class actions, nor it seems appropriate to aggregate items with

various timing of cash flows. In the such case, litigation contingencies should be separated into several groups, and it increases the risk of providing prejudicial information to opposing parties. Even aggregating the disclosure would reveal prejudicial information because when claims arise from well-publicized matters, either a single claim or a limited number of claims may account for a disproportionate amount of the total exposure.

Additionally, I believe disclosure of remote loss contingencies should be exempt from financial statements. Disclosure of certain remote loss contingencies that may have a potential “severe impact” would require entities to make predictions regarding matters that are by their nature remote, and therefore very uncertain. Entities must determine costs such as potential impact of the cost of defending and the amount of management resources required to resolve a matter, which are both speculative and outside of management’s control. I believe that requiring disclosure around certain remote loss contingencies that is speculate, predictive in nature, provides detailed preliminary assessments of litigation exposure, would not be meaningful to users and investors because it would provide information that is unreliable and potentially harmful to an entity. I believe providing remote loss contingency events would be inconsistent with the objective of providing financial statement users with decision-useful information.

While I acknowledge that certain enhancements in disclosure requirement could be useful, I believe that disclosure of too detailed information would be adverse to the Firm’s interest as an investor because providing prejudicial information represents a significant “cost” to the entity. I believe ASC 450 would achieve the appropriate balance without the remote loss contingencies disclosure requirement.

Again, thank you for allowing me to express my view related to ASC 450 Contingencies. Please let me know if I can clarify my comments in any way.

Sincerely,

Jenny Kim
Graduate Student
Accounting (MS)
Loyola Marymount University