



The Association of
Accountants and
Financial Professionals
in Business

October 1, 2020

Ms. Hillary Salo, Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2020-200 - FASB Proposed Accounting Standards Update, Compensation—Stock Compensation (Topic 718): Determining the Current Price of an Underlying Share for Equity-Classified Share-Option Awards

Dear Ms. Salo:

The Small Business Committee (SBC or Committee) of the Institute of Management Accountants (IMA) is writing to share their views on the Financial Accounting Standards Board's (FASB) Exposure Draft of the Proposed Accounting Standards Update, Compensation—Stock Compensation (Topic 718) Determining the Current Price of an Underlying Share for Equity-Classified Share-Option Awards dated August 17, 2020.

The IMA is a global association representing over 140,000 accountants and finance team professionals. Our members work inside organizations of various sizes, industries, and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities, and multinational corporations.

The SBC addresses issues that impact small and medium-sized organizations. On behalf of IMA's members, the SBC engages and suggests solutions to standard-setters and regulatory agencies such as the FASB, Securities and Exchange Commission, International Accounting Standards Board, Small Business Administration, American Bankers Association, Internal Revenue Service, and others. Additional information on the SBC can be found at www.imanet.org (About IMA, Advocacy, Small Business Committee).

As guided by the request for comment's areas of focus, the Committee provides the following in support of the proposed Update to align the methodology of determining the current price input of equity-classified share-option awards issued to both employees and nonemployees using a valuation method that is performed in accordance with specific regulations of the U.S. Department of the Treasury. We concur that due to those regulations being deemed as providing acceptable valuation methodologies to comply with the "presumption of reasonableness" requirements of Section 409A of the U.S. Internal Revenue Code (Section 409A) that they would also be similarly acceptable valuation methods for GAAP for private companies. We also agree that the leading method available within the guidance would be the valuation being determined by an independent appraisal within the 12 months preceding the grant date.



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We provide the following responses to the questions to be addressed.

- Question 1: Is the practical expedient as drafted in this proposed Update operable? If not, please explain why.
 - Yes. The practical expedient proposed is feasible and reasonable for small and medium sized privately held business organizations (“SMBs”).
- Question 2: The practical expedient in this proposed Update is applicable only for equity-classified share-option awards. Should the scope of the practical expedient in this proposed Update be expanded to include other equity-classified share-based compensation arrangements (for example, nonvested shares)? Please explain why or why not.
 - No. The practical expedient proposed should not be expanded to include other compensation arrangements. For SMBs, the applicability to other arrangements would be infrequent and not be needed or of value to most of these organizations.
- Question 3: Will the proposed practical expedient reduce costs, including audit costs or fees, associated with the current price input? Please explain why or why not.
 - Yes. The proposed practical expedient approach for SMBs would be less costly than other alternatives when calculating the current price input. The impact for SMBs should be reduce costs and related fees. The efficiency derived primarily from the greater clarity and consistency provided in the guidance for the use of the practical expedient in the proposed Update.
- Question 4: Do you or your clients obtain separate valuations to satisfy GAAP requirements (Topic 718) and tax regulations (Section 409A)?
 - No. SMBs do not commonly obtain separate valuations to satisfy Topic 718 GAAP requirements and Section 409A tax regulations.
- Question 5: Do you agree with allowing the proposed practical expedient to be elected on an award-by-award basis?
 - No. Our recommendation is that the election should be for all awards subsequent to the election. The consistent application across multiple awards is expected to reduce the cost of valuation and related fees.
- Question 6: Will the proposed practical expedient compromise the decision usefulness of information related to equity-classified share-option awards? If yes, please explain how.
 - No. The practical expedient should not compromise the usefulness of information as the Treasury Regulations include the presumption of reasonableness.
- Question 7: Do you agree with the proposed prospective transition requirements? If not, please explain why.
 - Yes. We agree with prospective transition.

Thank you for the opportunity to provide feedback for the proposed Update.

We would be pleased to discuss our comments with the FASB or its staff at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "H. Bain", is written over a light blue horizontal line.

Heather Bain, CPA, MBA, CMA
Chair, Small Business Committee
Institute of Management Accountants
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