

October 29, 2020

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

By e-mail: [director@fasb.org](mailto:director@fasb.org)

**Re: Proposed Statement of Financial Accounting Concepts—*Concepts Statement 8—  
Conceptual Framework for Financial Reporting—Chapter 4: Elements of Financial  
Statements***

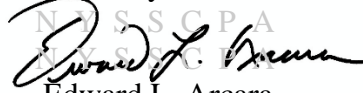
**(File Reference No. 2020-500)**

Dear Ms. Salo:

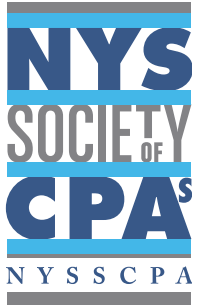
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Jeffrey A. Keene, Chair of the Financial Accounting Standards Committee, at (732) 750-0900, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

  
Edward L. Arcara  
President

Attachment



**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON**

**PROPOSED STATEMENT OF FINANCIAL ACCOUNTING CONCEPTS—*CONCEPTS  
STATEMENT 8—CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING—  
CHAPTER 4: ELEMENTS OF FINANCIAL STATEMENTS***

**(File Reference No. 2020-500)**

**October 29, 2020**

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Jeffrey A. Keene  
Collette E. Richards**

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**New York State Society of Certified Public Accountants**

**Comments on**

**Proposed Statement of Financial Accounting Concepts—*Concepts Statement 8—  
Conceptual Framework for Financial Reporting—Chapter 4: Elements of Financial  
Statements***

**(File Reference No. 2020-500)**

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on Proposed Statement of Financial Accounting Concepts—*Concepts Statement 8—Conceptual Framework for Financial Reporting—Chapter 4: Elements of Financial Statements* (proposed chapter). We offer our responses to the Questions for Respondents below.

**Questions for Respondents**

**Question 1:** The Board expects that most assets that met the definition of an asset in FASB Concepts Statement No. 6, Elements of Financial Statements, will continue to qualify as assets under the definition of an asset in this proposed chapter. Do you agree that the definition of an asset in this proposed chapter is consistent with the Board's assertion? If not, please provide examples.

**Response:** We agree.

**Question 2:** In particular, respondents are asked to focus on internally generated intangible assets. Is the definition of an asset in this proposed chapter helpful in resolving issues of identifying intangible assets?

**Response:** We believe more guidance is necessary to clarify when internally generated intangible assets meet the definition of an asset as proposed in this chapter. We are concerned that without the additional guidance, reporting entities may inappropriately capitalize disbursements as internally generated intangible assets and distort its financial position. Further, if that reporting entity experiences a liquidation event, such as a bankruptcy or restructuring, the quality of the financial reporting that allowed the assets to be recognized will be questioned.

**Question 3:** The Board's definition of an asset in this proposed chapter does not include the term control. However, this proposed chapter explains why and how control is interrelated to the definition of an asset. Is this discussion sufficient or is the term control necessary to include in the definition of an asset? If the term control is necessary to

include, please explain how its inclusion would change the population of items that would meet the definition of an asset in this proposed chapter.

**Response:** We agree that control is interrelated to the definition of an asset and the discussion is sufficient. It is therefore unnecessary to include in the definition of an asset as proposed in this chapter the term “control.”

**Question 4:** The Board decided that an obligation to transfer either assets or, in certain limited circumstances, an entity’s own shares would meet the definition of a liability. Is the discussion in this proposed chapter of the limited circumstances in which the entity’s own shares would meet the definition of a liability sufficiently clear?

**Response:** We believe more guidance is necessary to clarify when an obligation to transfer shares is an obligation to provide economic benefits. When an arrangement requires the transfer of a fixed number of shares, it is unclear in this proposed chapter how the shares to be transferred should be valued. Is the valuation based on the date the underlying agreement is reached, the date the obligation is incurred or the date the shares are transferred? Further, how should the entity account for the changes in value that occur between those dates?

**Question 5:** Other than as described in Question 4, to allow certain share-settled instruments to be liabilities, the Board expects the liabilities that met the definition of a liability in Concepts Statement 6 will continue to qualify as liabilities under the definition of a liability in this proposed chapter. Do you agree that the definition of a liability in this proposed chapter is consistent with the Board’s assertion? If not, please provide examples.

**Response:** We agree.

**Question 6:** In practice, the more challenging applications of the definition of a liability in Concepts Statement 6 were related to business risks, constructive obligations, and stand-ready obligations. Is the discussion of those three areas in this proposed chapter adequate to understand and apply the definition of a liability?

**Response:** We believe the discussion of business risks, constructive obligations, and stand-ready obligations is sufficient to apply the definition of a liability. We also note that the definition of a liability removes “probable” from the existing definition and we believe this also clarifies that the noted events which may have a high likelihood of occurring in the future are not liabilities until the event becomes a present obligation.

**Question 7:** The Board suggested that integration with presentation principles would be helpful in distinguishing between the components of comprehensive income. To facilitate this distinction, paragraph E92 of this proposed chapter references presentation principles. Is distinguishing revenues from gains and expenses from losses essential as a matter of elements, or should those distinctions be exclusively a matter for presentation concepts? Please explain.

**Response:** We believe distinguishing revenues from gains and expenses from losses should be addressed in the elements of financial statements. We believe the distinction between revenue or gain and expense or loss is critical to understanding the performance of the reporting entity.

**Question 8:** As described in Question 7, this proposed chapter seeks to distinguish between revenues, expenses, gains, and losses. Do the definitions of and other explanatory language related to revenues, expenses, gains, and losses make the distinction between these elements sufficiently clear?

**Response:** We believe definitions of revenue and gains is clear in the proposed chapter. We believe the definition of expenses needs additional clarity. Expenses include "...carrying out other activities," which is vague and could be misapplied resulting in presentation errors between expenses and losses.

**Question 9:** The Board has concluded that, other than when exceptions are specifically noted in this proposed chapter, the elements described in this proposed chapter would apply to not-for-profit organizations. Do you agree with this conclusion?

**Response:** We agree.

**Question 10:** This proposed chapter was developed on the basis of Concepts Statement 6, though several paragraphs have been removed or adapted. Are any of the paragraphs from Concepts Statement 6 that have been removed in drafting this proposed chapter necessary to keep? If so, why?

**Response:** We did not identify any of such paragraphs, that are proposed to be removed from Concepts Statement 6, which should be retained.

**Question 11:** "Appendix A: Accrual Accounting and Related Concepts," includes discussion of several concepts that are used in this proposed chapter and in other chapters of the Conceptual Framework. Is this material helpful in a chapter discussing the elements of financial statements?

**Response:** We believe that the information included in "Appendix A: Accrual Accounting and Related Concepts" is helpful and provides a framework to further apply the elements within this proposed chapter.