

October 25, 2020

Technical Director

File Reference No. 2020-500

FASB

401 Merritt 7, PO Box 5116

Norwalk, CT 06856-5116.

Sent via email

**Re: Proposed Concepts Statement, *Concepts Statement No. 8, Conceptual Framework for Financial Reporting - Chapter 4: Elements of Financial Statements.***

Dear Technical Director,

I am writing you today in response to the Concepts Statement No. 8. I appreciate the opportunity to provide feedback to you. I am a graduate student at Case Western Reserve University. I am in the masters of accountancy program and I am doing this for a class project. I am looking forward to a career in accounting, hopefully passing the CPA exams on the way. In general, I agreed a lot with what was said in the statements. I do have some ideas relating to some of the questions mentioned and I will share my ideas on that.

*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.*

I do agree that the definition of an asset in this proposed statement reflects the boards current assertion. I do have some concerns that were not necessarily brought up in the statement regarding goodwill. As it is goodwill is considered an asset and it qualifies meeting the requirements for an asset. Personally I would like it to be looked into more because I don't see how goodwill (purchased) provides any real economic benefit by itself. I think that it does help and allow the company that acquired it to gain benefit through other parts of the company. I think enhancing the definition of an asset could be useful in differentiating between assets that directly add benefit and assets that help other assets provide more benefit. Something along the lines of, say I only receive this specific asset in a transfer between companies

or I only have this one asset in my company. This asset should be able to provide my company economic benefit immediately. In this case I feel that it would help show that goodwill cannot be considered an asset. I think that the treatment of goodwill is flawed the way it is currently and could be useful to think about it more when creating new concepts.

*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?*

I wanted to address the discussion on the present obligation of a business risk. The concept statement mentions that business risks such as operation of an airline are not considered liabilities under this present obligation requirement. I do not agree that when something that is virtually certain to occur, a present obligation does not exist. I think that these things should be treated more conservatively and allow for businesses to better prepare for risks like this. In the sense that I think that companies with risky practices should be allowed to accrue future losses. I am surprised to see the difference in the treatment of stand-ready obligations and business risks. At its root I feel that these are very similar and should be treated the same way. I think this present obligation idea is misconstrued when thinking about business risks. A warranty which is treated as stand-ready obligation is similar to a business risk for me due to the idea that the company expects something to go wrong with the product. So I think that all these ideas represent a present obligation in a way. I think that this proposed chapter does not correctly apply the definition of a liability.

Thank you again for this opportunity to discuss some of my thoughts with you. If you would like to reach out to me you can email me at [cjr75@case.edu](mailto:cjr75@case.edu).

Sincerely,

Connor Rohm