Date: November 8, 2020
To: Ms. Hillary Salo
Technical Director Financial Accounting Standards Board
401 Merritt 7
PO Box 5116 Norwalk, CT 06856-5116
From: Jazmine Ingle
Masters of Accountancy Student,
Metropolitan State University of Denver
RE: Concepts Statement 8—Conceptual Framework for Financial Reporting—Chapter 4: Elements of Financial Statements Reference Number: 2020-500

Dear Ms. Salo,

Thank you for providing the opportunity to comment on the Proposed Statement of Financial Accounting Concepts. I am a Masters of Accountancy Student at Metropolitan State University of Denver. I agree with most of the statements in this proposed chapter, with some exceptions as described in my following answers to the Board's questions. I appreciate this opportunity to provide my feedback.

Sincerely,
Jazmine Ingle

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. <u>Do you agree that the definition of an asset in this proposed chapter is consistent with the Board's assertion?</u> If not, please provide examples.

The definition of an asset in this proposed chapter is very similar to that of the FASB Concepts Statement No. 6, Elements of Financial Statements, but I disagree on exemption of the term "control. This exemption changes the definition of an asset because previously an entity had to have control of an item in order for it to be viewed as an asset. The definition of an asset is much clearer in the original Concept Statement No. 6. than it is in this proposed chapter.

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?

The proposed chapter clearly states what an asset is and what is required to make such a determination. Both E34 and E36 help to define common characteristics of an intangible asset to further assist in the resolution of any issues in identifying intangible assets. Licenses, Trademarks and the like are all intangible assets and the proposed chapter helps to clarify the appropriate application of the term asset when identifying specific issues that may arise with regards to these items. The only problem is that the term control has been removed and the question of who controls the license or trademark will be an issue. This could be avoided by keeping the term control as it is in the Conceptual Framework No. 6, Elements of Financial Statements.

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.

I do not believe that this discussion is sufficient enough to exclude the term control. The term control is clear and easily definable when describing assets and to remove it will make the definition of an asset more difficult to describe or ascertain. The word control is necessary because it helps to clarify who owns the asset. Without the term control, then an entity could identify several items as assets, even though they do not control them. This would result in the possible misrepresentation and inflation of an entity's performance and create the possibility of fraud.

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?

The discussion is very clear. The limited circumstances as described in this proposed chapter do meet the definition of a liability.

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.

Yes, I do agree that the Board's definition of a liability in this proposed chapter is consistent with Concepts Statement No. 6, Elements of Financial Statements.

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?

Yes, the discussion of those three areas in the proposed chapter are adequate to understand and apply the definition of a liability.

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.

Revenues and gains are two different elements as are losses and expenses. Therefore, it is essential to distinguish revenues from gains and losses from expenses as a matter of financial statement elements. The proposed chapter is a little vague on this whereas the original Concepts Statement No. 6 was much clearer.

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?

The original definitions in Concepts Statement No. 6, Elements of Financial Statements is much clearer in defining the distinctions between these elements. The new proposed chapter discusses this, but not in depth as Concepts Statement No.6.

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?

Yes, I 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?

I think the definition of an asset should contain the word control because that indicates who is the asset belongs to and it adds clarity to any confusion that may subsequently occur. I also think the original Concepts Statement No. 6 had a clearer distinction between gains, losses, revenues and expenses.

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?

Yes, this material is helpful, especially paragraph A4.8 which describes the "major difference between accrual accounting and accounting based on cash receipts and outlays is the timing of recognition of revenues, expenses, gains, and losses."