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November 13, 2020

Technical Director
File Reference No. 2020-500
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Sent via email to: director@fasb.org, File Reference No. 2020-500

Dear Technical Director:

CliftonLarsonAllen LLP (CLA) appreciates the opportunity to comment on the Financial Accounting Standards Board's (the FASB's or the Board's) proposed Statement of Financial Concepts, Concept Statement No. 8, *Conceptual Framework for Financial Reporting, Chapter 4: Elements of Financial Statements*. We appreciate the Board's efforts to update definitions of elements of financial statements and continuing to develop concepts that the Board would use in developing future standards of financial accounting and reporting. We recommend the proposed Concept Statement be modified to address the concerns that we have outlined in our responses below.

Our responses to the questions on which you are seeking comments follow.

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.

We agree that most assets that met the definition of an asset in Concepts Statement No. 6 will continue to qualify under the definition of an asset in the proposed chapter. We disagree with the removal of the term "control." We agree with Ms. Botosan in BC4.42 that "control is sufficiently important that it should be elevated from the explanatory paragraphs to the definition itself."

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?

We believe that the definition of an asset in the proposed chapter would be more helpful in resolving issues of identifying and accounting for internally generated intangible assets if the Board were to provide further guidance and examples.

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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.

As noted in our response to Question 1, we believe that *control* should be included in the definition rather than in the explanatory paragraphs. The inclusion would possibly reduce the population of items that meet the definition of an asset in this proposed chapter.

Additionally as noted in BC4.43, the IASB had considered but rejected a proposal to remove control from the definition of an asset. The proposed elimination of control from the definition of an asset would result in different definitions for U.S. GAAP and IFRS Standards.

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?

We agree that the discussion of the limited circumstances in which an entity's obligation to transfer its own shares would meet the definition of a liability is sufficiently clear.

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.

We agree that the definition of a liability in this proposed chapter is consistent with the Board's assertion.

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?

We believe that the discussion of business risks, constructive obligations, and stand-ready obligations in the proposed chapter are adequate to understand and apply the definition of a liability.

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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.

We believe that there are fundamental differences between revenues and gains and between expenses and losses. We believe that the distinction should be a matter of elements and not exclusively a matter for presentation concepts.

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?

We believe that the definitions and other explanatory language related to revenues, expenses, gains, and losses make the distinction between these elements sufficiently clear.

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?

We agree that the elements described in this proposed chapter would apply to not-for-profit organizations.

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?

We do not believe that any of the deleted paragraphs from Concept Statement 6 are necessary to keep.

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?

We find the material in Appendix A: Accrual Accounting and Related Concepts helpful.

* * *

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions you may have.

Sincerely,



CliftonLarsonAllen LLP