

November 11, 2020

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**File Reference No. 2020-500**

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

Dear Technical Director:

Thank you for this opportunity to provide my feedback on the Proposed Statement of Financial Accounting Concepts – Concepts Statement 8 – Conceptual Framework for Financial Reporting Chapter 4: Elements of Financial Statements. Please see my comments for the questions below.

Sincerely,

Natalie Barkley  
Master of Professional Accountancy Student  
Metropolitan State University of Denver

**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 agree that the definition of an asset in this proposed chapter is consistent with the Board’s assertion. I do however think the term *control* should be added as it does strengthen the meaning, and is included in Statement No. 6. Please refer to my response to Question 3 as to why I think it is significant.**

**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?

**I think that paragraph E27 explained how an internally generated intangible asset meets the definition, as a “license provides the right to engage in economically beneficial activities.” Paragraph E34 explains how an entity is considered to have “control” of an intangible asset if contractual or other legal rights are present.**

**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 think it is necessary to include the term *control* within the definition of an asset. I agree that there can be many meanings tied to the term *control*, but I think that providing specific examples of what**

**is meant by the term *control* in the definition, could help eliminate the confusion. I don't think that the replacement of the term *present right* is strong enough by itself. I agree with Ms. Botosan in the fact that "*control* in the definition helps establish the link between an economic resource and a particular entity." I also agree with Ms. Botosan, that the removal of the term *control* in the definition of an asset could cause issues with other principles.**

**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?

**Yes, it is clear that the issuance of an entity's own shares in lieu of assets would 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 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?

**Yes, I think that by providing very detailed examples of these more challenging applications helped me 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 5 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.

**I think that revenues are different from gains, and expenses are different from losses. I think that distinguishing revenues from gains and expenses from losses is essential as a matter of elements. I think paragraph E92 does explain that there is a distinction and it is clearly stated that those decisions would be made at a standards level. I think maybe the differences need to be explained in more detail, so that it becomes clear why they are different. I don't think these distinctions should be 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?

**No, I think that there needs to be more detail about revenues, expenses, gains and losses to make the distinction between these elements more clear. I think Concept Statement 6 goes into better detail on these distinctions.**

**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?

**I agree with this conclusion. I feel that exceptions for not-for-profit organizations are clearly noted, and that is the best way to explain any exceptions to the elements described in this proposed chapter.**

**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?

**Paragraph 25 in Concept Statement 6 includes the term *controlled* when defining an asset. I think that the definition in Concept Statement 6 is easier to understand compared to the one here.**

**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?

**I think paragraphs A4.4 and A4.5 are very helpful as they explain how accrual accounting ties into the concepts in this proposed chapter.**