

November 12, 2020

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

Dear Ms. Salo,

Thank you for allowing us to have an input on the proposed statement. I am currently enrolled at Metropolitan State University. Looking over the proposal I agree with change. Overall, the proposed changes are reasonable. The conceptual framework should have changes when necessary as it should be an improvement. I have answered all the question as to the best of my ability, to provide my feedback on this matter.

Thank you

Sincerely,

Vanessa Rangel

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

Questions for Respondents

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 chapter is consistent with the Board's assertion.

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?

There needs to be more clarification. Without clarification reporting may incorrectly capitalize disbursements.

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.

The term control is necessary to define an asset. If it is removed it will no longer be clear and hard to understand. If the word control is excluded we will no longer know who owns the assets.

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?

Obligation to provide economic benefits E58 makes the definition of liability clear. It discusses legal obligations.

"A transfer of shares sufficient in number to satisfy an obligation of determinable or defined amount is a transfer of an economic benefit. If arrangements permit or require settlement of obligations by issuance of a variable number of the entity's own shares, those shares are essentially being used in lieu of assets to settle an obligation and therefore meet the definition of a liability."

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.

I Agree.

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 believe that the definition of a liability in Concepts Statement 6 were related to business risks, constructive obligations, and stand-ready obligations is sufficient. As they are cleared and they are followed by examples.

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.

E92 is not sufficed more reference needs to be included. Integration with presentation principles would be helpful in distinguishing between the components of comprehensive income. It is important to understand the difference between revenue from gains and losses.

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?

I believe that the definition are clear however I do feel as examples need to be provided so there can be a better understanding. E89 give a brief example of where gain and losses result from but there is not much example for revenues and expenses.

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

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?

There are no paragraphs from Concepts Statement 6 that have been removed necessary to keep in my opinion. However, many of the new paragraphs need to be more elaborated for example on the definitions between gains, losses, revenues and expenses would like to see examples.

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?

Appendix A is helpful because it provides a framework.