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August 31, 2021

Technical Director, File Reference No. 2021-004
FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116.

Re: Invitation to Comment on the FASB 2021 Agenda Consultation (ITC)

Via email: director@fasb.org

Dear Technical Director,

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced ITC. The Committee is comprised of 22 members, of whom 41% are from local or regional firms, 14% are from large multi-office firms, 9% are sole practitioners, 5% are in international firms, 9% are in academia, and 22% in industry. The response below reflects only the views of the Committee. The Committee has the following comments related to the questions below:

Question 1: Please describe what type of stakeholder you (or your organization) are from the list below, including a discussion of your background and what your point of view is when responding to this ITC:

Please refer to the initial, introductory paragraph above as to the makeup of the Committee. Note the answers that follow reflect only the views of the Committee.

Question 2: Which topics in this ITC should be a top priority for the Board? Please explain your rationale as it relates to a. pervasive need to change GAAP, b. how it should be addressed, and c. urgency.

As it relates to the bulleted list contained on page eight of the ITC, the Committee overall had the following comments:

Further breakdown of cost of sales and selling, general, and administrative expense would be welcome but would be difficult to make a requirement. It would seem a worthwhile effort for the companies that define a key performance indicator (KPI) that uses a level of granularity not already shown on the statement of operations to reconcile the applicable financial statement line item down the necessary level of granularity within the footnotes to the financial statement. Suggest it be addressed time permitting in the next one to two years as a limited scope project.

The Committee had limited representation from the not-for-profit (NFP) industry but the members in the NFP industry have extensive experience with these organizations. These members agree the diversity of NFPs make comparability a challenge and therefore support a project to pursue the potential of developing intermediate operating measures However, these members believe this disparity will make it difficult to establish "one size fits all" operating measures for NFPs. Additionally, the Committee had the following as it related to the rest of the topics contained within the ITC:

Cryptocurrencies and other blockchain-related assets are continuing to get worldwide attention and a view and potentially example-based framework for how to record and disclose them will be needed going forward. This should be considered within the current Codification (meaning no pervasive change), a full-scope project of the FASB, and as soon as reasonably possible.

Direct method cash flows under ASC 230, though permitted, is not well utilized in practice. Given how much easier the direct method is to understand for non-accountants, it would seem a limited scope review of this area and how to make it more of a utilized method of reporting in the next three to five years be considered. The Committee believes the option allowing NFPs reporting cash flows using the direct method to omit the reconciliation of operating cash flows should be extended to all entities.

Debt extinguishments vs. modifications, note given the recent experience of three practitioners within the Committee suggest the FASB specifically address the ambiguity of the third-party advisors that take a specific interest in a company's debt tranche per ASC 470-50-55-7.

Question 3: Are there topics in this ITC that the Board should not address as part of its future standard-setting efforts? Please explain your rationale, such as there is no pervasive need to change GAAP, the scope would not be identifiable, or the expected benefits of potential solutions would not justify the expected costs.

As it relates to the bulleted list contained on page eight of the ITC, the Committee overall had the following comments:

Pro forma effects of a business combination are seemingly well disclosed for registrants and would seemingly be well received by stakeholders of private entities; however, it would seem highly costly to implement. Suggest it not be an item for the 2021 agenda.

As it relates to environmental, social, and governance (ESG) matters, it would seem difficult to address from how to properly standardize and require specific disclosure. Suggest it not be an item for the 2021 agenda. In addition, the Committee noted a number of public business entities already provide ESG information either in their financial statements or filings with the Securities and Exchange Commission. The Committee also believes any future requirements to disclose ESG matters should be required only for public business entities and optional for other business entities and NFPs.

Question 4: Are there any financial reporting topics beyond those in this ITC that should be a top priority for the Board to address? Please describe:
a. The nature of the topic
b. The reason for the change

c. Whether the topic is specific to a subset of companies, such as public companies, private companies, or NFPs, or specific to a certain industry
d. How the Board should address this topic (that is, the potential project scope, objective, potential solutions, and the expected costs and benefits of those solutions)
e. What the urgency is of the Board completing a project on this topic (that is, how quickly the issues need to be addressed).

None noted by the Committee.

Question 5: The objective of this ITC and the related 2021 Agenda Consultation process is to ensure that the FASB continues to allocate its finite resources to standard-setting activities that fulfill its primary mission of improving financial accounting and reporting standards and that are of the highest priority to its stakeholders. Therefore, feedback on the prioritization of projects on the FASB's technical agenda (see Appendix A) would be helpful. Do you have any feedback on the FASB's technical agenda, including the following:

a. Which projects on the FASB's agenda should the Board prioritize completing? Please explain.

   The Committee had the following comments as taken from Appendix A of the ITC.
   Codification Improvements

   The Committee agreed there is a need for an easy-to-access, complete, and accurate search function within the Codification. This does not change GAAP, would be a technology project of the FASB, and be tested and completed as reasonably possible to make it more efficient to perform full and complete searches of the Codification.

b. Which projects, if any, should the Board deprioritize or consider removing from the agenda? Please explain.

   The Committee had the following comments as taken from Appendix A of the ITC.

   Goodwill and Identifiable Intangible Assets
   The Committee agreed this has been a consistent topic of change and debate. Given the FASB's relatively recent simplification and improvements to impairment testing (e.g., the qualitative assessment) when coupled with the consistency of change, the Committee suggests Goodwill and Identifiable Intangible Assets as a topic be omitted from the 2021 agenda.

   Further, as it relates to more granular segment reporting requirements, given how difficult practitioners find it to audit segments as required to date and the related disclosures suggest this not be considered further.

c. Which projects, if any, need to be redefined to improve the objective and/or scope? Please explain.

   Refer to discuss in "a." above as it relates to the Codification.

Question 6: Greater disaggregation and granularity of the types of financial reporting information described in Chapter 1 have been identified as decision useful to investors. The following insights would be helpful to the FASB when considering this area:

a. Investors and other financial statement users—Which, if any, of the areas described in Chapter 1 should be a top priority for the FASB to consider requiring greater disaggregation—on the income statement, the statement of cash flows, or the notes to financial statements? Would this information be most useful in the financial statements or in the notes to financial statements? How would this information be used to analyze a company and make capital allocation decisions?
b. Preparers—What requests or questions does your company receive from analysts on the areas described within Chapter 1? Please explain any requests or questions your company has received.

Note as it relates to "a." above the Committee did not find agreement on specific focus areas. As it relates to "b." the Committee agreed the focus of analysts is typically on that of revenue, EBITDA, and cash flows generated, meaning further granularity of the specific line items shown and the other bullets would not significantly impact analyst considerations. Additionally, the Committee believes users analyzing the financial statements of public business entities can access any information needed using XBRL and therefore no additional disaggregation is needed. The Committee also believes any future disaggregation requirements should be required only for public business entities and optional for other business entities and NFPs.

Question 7: Investors and other financial statement users—What cash flow information, if any, required for your analysis is missing in a statement of cash flows prepared using the indirect method? How would this information influence your decisions and behavior? Please explain.

Nothing of note here other than to suggest revisiting a way to make direct method reporting more prevalent as discussed in question two above.

Question 8: Preparers—What requests or questions, if any, does your company receive from analysts on cash flow information? Please explain.

Audit practitioners within the Committee comments on the difficulty of auditing the statement of cash flows, specifically the non-cash charges applicable to the indirect method.

Question 9: What challenges, if any, are there in applying the guidance on the definition of a derivative and the related derivative scope exceptions in Subtopic 815-10? Please explain the challenges and whether and how they could be addressed through standard setting.

The Committee was in agreement that the base complication in understanding of derivatives lies within the different definitions of derivatives between the Codification and those used in tax and other finance uses. One standardized definition would be difficult to reach but a focus on making derivatives and the reasons and uses for them more pragmatic and easier to understand for financial statement users a priority.

Additionally, treatment between fair value- and cash flow-designated hedges differs and though technical professionals understand the reasons behind them a simplification project to discern whether the same treatment for both (whether all as equity or earnings) would assist analysts and other users of financial statements in comparing different companies.

Question 10: Investors—How significant are holdings in digital assets, such as crypto assets, in the companies you analyze? What type of financial reporting information about holdings in digital assets do you use in your analysis of a company? How does that information influence your decisions and behaviors? If there is other financial reporting information about digital assets that would be decision useful, what is that information and why would it be decision useful?

Refer to the Committee's discussion in question two above.

Question 11: Preparers and practitioners—Does your company (or companies that you are involved with) hold significant digital assets, such as crypto assets? What is the purpose of those holdings?

None noted by the Committee.

Question 12: If the Board were to pursue a project on digital assets, which improvements are most important, what types of digital assets should be included within the scope, and should this guidance apply to other nonfinancial assets?

Refer to the Committee's discussion in question two above.

Question 13: Are there common ESG-related transactions in which there is a lack of clarity or a need to improve the associated accounting requirements? Please describe the specific transactions and why standard setting is needed.

None noted by the Committee.

Question 14: Are there common financial KPIs or metrics—either widely applicable to all companies or industry specific—that would provide decision-useful information if they were defined by the FASB? Please explain.

None noted by the Committee and suggest in order to maintain a principles-based framework this not be considered further.

Question 15: If the FASB were to define certain financial KPIs or metrics, should all companies be required to provide those metrics or should providing those metrics be optional?

Refer to the Committee's discussion in question 14 above.

Question 16: If the Board were to pursue a project on the recognition and measurement of government grants, should the FASB leverage an existing grant or contribution model (such as the models in IAS 20 or Subtopic 958-605) or develop a new model? If you prefer leveraging an existing model, which would be most appropriate and why? If the FASB were to develop a new model, what should the model be?

No further consideration needed.

Question 17: The FASB has encountered challenges in identifying a project scope that can be sufficiently described for government grants. If the Board were to pursue a project on the recognition and measurement of government grants, what types of government grants should be included within the scope and why (for example, narrow or broad scope)?

No further consideration needed.

Question 18: The FASB has encountered challenges in identifying a project scope that can be sufficiently described for intangible assets. If the Board were to pursue a project on intangible assets, what types of intangible assets should be included within the scope and why? Within that scope, should a project on intangible assets be primarily focused on improvements to recognition and measurement or to disclosure?

The Committee agreed recognition and measurement be the focus and that the priority be with further alignment with IFRS.

Question 19: What challenges, if any, exist in applying the capitalization thresholds in Subtopics 350-40 and 985-20? What improvements, if any, could be made to the software capitalization guidance to overcome those challenges? Should there continue to be a capitalization threshold when accounting for software depending on whether it is for internal use or whether it is to be sold, leased, or otherwise marketed? Please explain.

The Committee has no issue with current capitalization thresholds and suggests efforts to ensure consistency (Especially with IFRS) be prioritized as discussed in question 18.

Question 20: Should the Board prioritize a potential project on current and noncurrent classification of assets and/or liabilities in a classified balance sheet? If yes, what should be the scope? Please explain.

No further consideration needed.

Question 21: Should the Board prioritize a potential project to simplify the consolidation guidance in Topic 810? Please explain why or why not. If yes, should the approach focus on targeted improvements or a holistic review of Topic 810?

The Committee agreed, given the complexity of 810, that a holistic review focused on simplification be prioritized.

Question 22: What challenges, if any, exist in accounting for debt modifications in accordance with the guidance in Subtopic 470-50, Debt—Modifications and Extinguishments? Please explain the challenges and how they could be overcome through standard setting.

Refer to discussion within question two above.

Question 23: Stakeholders noted many challenges in applying the liabilities and equity guidance, but they had mixed views on how the Board should improve the accounting for financial instruments with characteristics of equity. The Distinguishing Liabilities from Equity Phase 2 project is intended to align the two existing indexation models in Topic 480 and Subtopic 815-40. Should the Board continue pursuing this project in its current scope and objective, or does the Board need to reevaluate this project? Please explain why or why not and if the project scope and objective need to be reevaluated, what should the approach be?

The Committee agreed the guidance is complex with significant variance in practice and options allowed. Similar to the goodwill discussion in question two above given how often this topic has been revisited suggest this either be kept off of the agenda or that a holistic review focused on simplification be prioritized.

Question 24: How helpful would it be in evaluating disclosure materiality if the materiality guidance in paragraph 105-10-05-06 that "the provisions of the Codification need not be applied to immaterial items" was repeated in the Disclosure Section of each Codification Subtopic? Please explain.

No further consideration needed.

Question 25: Which, if any, of the FASB processes described in Chapter 4 of this ITC could be improved? Please explain your rationale for each, including the following:
a. Why that process needs improvement
b. How the FASB should improve that process
c. What the urgency is of that process improvement.

Refer to the discussion within question two above. Additionally, suggest consideration of what the GASB does as it relates to implementation guides for any new guidance.

The Committee appreciates the opportunity to respond to the ITC. Members of the Committee are available to discuss any questions you may have regarding the responses in this letter.

Respectfully submitted,

Mike Jerman, CPA, MBA
Chair, Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:
Lynda M. Dennis, CPA, CGFO, PhD