

September 21, 2021

Ms. Hillary H. Salo
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

By e-mail: director@fasb.org

Re: Invitation to Comment—*Agenda Consultation*

(File Reference No. 2021-004)

Dear Ms. Salo:

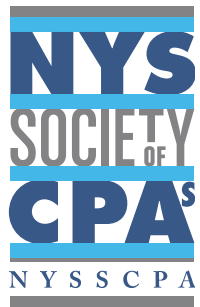
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Sean C. Prince, Chair of the Financial Accounting Standards Committee, at (646) 231-7285, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Rumbi Bwerinofa-Petrozzello
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON
INVITATION TO COMMENT—*AGENDA CONSULTATION***

(File Reference No. 2021-004)

September 21, 2021

Principal Drafter

Sean C. Prince

NYSSCPA 2021–2022 Board of Directors

Rumbidzai Bwerinofa-Petrozzello, <i>President</i>	Edward L. Arcara	John A. Mourer
Lynne M. Fuentes, <i>President-Elect</i>	Steven K. Baierlein	Lisa A. Mrkall
Thomas S. Pirro, <i>Secretary/Treasurer</i>	Ramona Cedeno	Maria L. Petrollese
Kelly Capron, <i>Vice President</i>	Margaret Chen	Jennifer Pickett
Kimberly G. Johnson, <i>Vice President</i>	William H. Dresnack	Alexander Resnick
Kevin Matz, <i>Vice President</i>	Zachary Gordon	Ronald F. Ries
Patricia A. McGrath, <i>Vice President</i>	Orumé A. Hays	Sharon Sica-Costanzo
David G. Young, <i>Vice President</i>	Elliot L. Hendler	Denise M. Stefano
Joanne S. Barry, <i>ex officio</i>	William C. Huether	Jennifer Stone
	John B. Huttlinger	Maria E. Suppa
	Michael R. Koeppel	A’Isha Torrence
	Katelyn Kogan	Mark M. Ulrich
	Edward N. Lee	Liren Wei
	Philip J. London	Charles J. Weintraub
	Shmueli Milecki	Craig A. Zellar
	Michael E. Milisits	

NYSSCPA 2021–2022 Accounting and Auditing Oversight Committee

Margaret A. Wood, <i>Chair</i>	Richard C. Jones	Renee Mikalopas-Cassidy
Jennifer L. Biundo	Diane L. Jules	Sean C. Prince
Sharon Brenner	Bonnie S. Mann-Falk	Robert M. Rollmann
Jeannette S. Buttler	Ashley E. Mayer	George I. Victor

NYSSCPA 2021–2022 Financial Accounting Standards Committee

Sean C. Prince, <i>Chair</i>	Orumé A. Hays	Richard M. Posen
Brian M. Aledort	Jean-Pierre Henderson	Renee Rampulla
Kwame Ampeh	Edward P. Ichart	Collette E. Richards
Ronald Blake	Richard C. Jones	Robert M. Rollmann
Ramona Cedeno	Angela V. Katehis	Timothy Schroeder
Deepak K. Doshi	Jeffrey A. Keene	Ahmed Shaik
William Epstein	Mueed Kumandan	Daniel Shea
Roseanne T. Farley	Chi Lam	Mark Springer
Sharon Sabba Fierstein	Steven P. Low	Denise M. Stefano
John F. Georger Jr.	John J. McEnerney	Fatou Kine Thiam
Jo Ann Golden	Lingyun Ou	Margaret A. Wood
Abraham E. Haspel	Michael A. Pesce	Craig A. Zellar
	Charles P. Pezzino	

NYSSCPA Staff

Ernest J. Markezin

New York State Society of Certified Public Accountants
Comments on
Invitation to Comment—*Agenda Consultation*
(File Reference No. 2021-004)

We welcome the opportunity to respond to the Financial Accounting Standards Board’s (FASB or the Board) Invitation to Comment—*Agenda Consultation* (ITC or Agenda Consultation).

General Comments

We believe that prior to adding new projects to its technical agenda, the Board first should prioritize completion of several existing standard-setting projects. In particular, we believe the Board should focus its time and resources on the following high-priority projects prior to commencing new initiatives:

- *Subsequent measurement of goodwill.* The subsequent measurement of goodwill continues to require significant time and resources of both preparers and auditors. In addition, the resulting accounting is widely disregarded by many investors. In general, we support the Board’s current direction to reintroduce amortization of goodwill. We believe such an approach will simplify the accounting requirements, reduce costs, and be easier for users to understand and apply.
- *Reconciliation between business combinations and asset acquisitions.* The Board should continue its efforts to reduce the differences between the accounting for business combinations and asset acquisitions. We believe that many of the current differences result in accounting for similar transactions differently, even though the economic substance of the arrangements are similar.
- *Accounting for contracts with characteristics of liabilities and equity (“debt/equity”).* Debt/equity accounting issues continue to represent a primary driver of financial statement restatements. The underlying guidance is complex and often requires the assistance of specialists to ensure its correct application. We strongly encourage the Board to continue its efforts in further simplifying (where appropriate) and aligning the relevant debt/equity guidance.

Specific Comments

With respect to the items discussed in the ITC, we believe the Board – upon completing the abovementioned standard-setting projects – should prioritize projects on the following items:

- *Accounting for digital assets.* Both the market capitalization of and volume of transactions involving digital assets have increased significantly since the Board last issued an agenda consultation ITC. Given this market change, we believe the Board should, at a minimum, undertake a research project to explore the pervasiveness of the issue, current accounting complexities that arise under an intangible asset model for digital assets, and user needs with respect to a company's involvement with digital assets. With respect to the needs of users, we encourage the Board to expand user outreach to include not only equity investors but also lenders and regulators. For regulators, the ongoing diversity in practice for digital assets impairs their ability to identify outliers, since accounting results may vary significantly for companies conducting essentially the same business. This is especially true among numerous privately held companies with businesses focused on digital assets.

We understand that many users prefer digital assets that are held for investment or as a medium of exchange to be measured at fair value. We generally agree with that view and would encourage the Board to pursue a project to improve that measurement attribute used for those types of digital assets. For other uses of digital assets, a lower of cost or fair value approach may be most appropriate.

- *Accounting for government grants received by for-profit entities.* The Board should prioritize a project to make explicit the guidance that for-profit entities should apply to government grants received. The pandemic has highlighted the need for such guidance. However, we do not believe a "start from scratch" approach is necessary or desirable. Rather, we believe the Board should use International Accounting Standard (IAS) 20 as its starting point since it appears most preparers favored that model during the pandemic.
- *Accounting for derivative instruments.* The identification of derivative instruments, including applying the related scope exceptions, continues to be a complex area for many preparers. We encourage the Board to pursue a project to identify whether the existing definition (and related scope exceptions) captures the types of instruments and embedded features it believes should be treated as derivative instruments. In connection with this effort, the Board should solicit user feedback to understand in what circumstances derivative accounting treatment is preferred, especially with respect to features embedded within a host contract.

One specific area the Board should explore as part of this initiative is embedded features within host contracts that reference ESG-related metrics. For example, in a so-called "sustainability bond," the instrument's interest rate might be affected by the issuer's achievement of a climate-related metric. We believe the Board should consider whether users prefer that such features be treated as embedded derivatives that require bifurcation or as part of the "whole instrument."

- *Accounting for intangible assets.* We agree with the discussion in the ITC that existing accounting requirements for intangible assets continue to result in a significant difference between a company's presented financial position and its underlying enterprise value. We believe this difference will continue to grow as the economy further shifts from a manufacturing economy to a service (or knowledge) economy.

We encourage the Board to continue its research in this area to identify ways to better reflect on a company's balance sheet its revenue-generating intangible assets. While we are not advocating for a full fair value balance sheet approach, we believe the value of intangible assets should be better reflected in a company's statement of financial position.

In contrast, we believe the Board should not prioritize the following items:

- *ESG (or sustainability) reporting.* We encourage the Board to maintain its focus on financial reporting requirements for general purpose financial statements. While we acknowledge that there are areas of intersection between financial reporting and sustainability reporting (as identified by the FASB staff in their March 2021 report), we do not believe the FASB should focus its efforts on sustainability reporting outside the scope of general purpose financial statements. We do, however, believe the Board should continue to identify areas of intersection and consider changes in reporting requirements as warranted by user feedback.
- *Consolidation accounting.* We acknowledge that consolidation accounting requirements remain complex and can be difficult to apply for many preparers. However, we do not believe the Board's current efforts to reorganize the Codification will result in significant simplification. Furthermore, we are concerned that any attempt to reorganize the guidance will result in unintended consequences to accounting conclusions. If the Board wishes to pursue improvements to the consolidation guidance, we believe it should do so more broadly by challenging the existing framework – that is, whether the distinction between variable interest entities and all other entities is still warranted.

Our Financial Accounting Standards Committee had mixed views about whether the Board should pursue a project on non-GAAP measures and other key performance indicators (KPIs). Those who favor a project acknowledge the ever-growing number of companies that use non-GAAP measures to present their results to stakeholders. They also observe that even intermediate performance measures, like operating income, are frequently distorted by companies through the inclusion of "one time" and other questionable adjustments. These committee members believe the Board should develop a framework to guide companies' use of non-GAAP measures like what the SEC has done for public companies.

Those opposed to a project on non-GAAP measures and KPIs believe that any effort by the Board to define non-GAAP measures or KPIs would result in the further proliferation of new non-GAAP measures and KPIs. In addition, some of these committee members believe companies need the flexibility to present their results in such a way that users best understand their core business. Further, GAAP definitions of non-GAAP metrics may grant unwarranted credibility to such metrics.

Finally, with respect to process improvement recommendations, we strongly encourage the Board to cease use of comment periods shorter than 45 days. Periods shorter than 45 days make it very difficult to carefully analyze the proposed guidance, consider the possible consequences, and formulate recommendations.