September 22, 2021

Submitted via email: director@fasb.org
Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2021-004

Dear Ms. Salo:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MOCPA) appreciates the opportunity to respond to certain matters in the Invitation to Comment – *Agenda Consultation*. The views expressed herein are written on behalf of the TIG of the MOCPA. The MOCPA TIG consists of volunteer members of MOCPA that include public and private company preparers, auditors, and educators. The TIG has been authorized by the MOCPA Board of Directors to submit comments on matters of interest to the society's membership. The views expressed in this letter have not been approved by the MOCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of MOCPA.

We appreciate the opportunity to comment on the Board's future standard-setting agenda. We believe that the Board's efforts to obtain feedback and careful consideration of the interests of various stakeholder groups is critical in providing useful information to investors by improving and maintaining our financial accounting and reporting standards. Our considerations for each of the four chapters included in the invitation to comment follows:

Disaggregation of Financial Reporting Information
Amongst the topics discussed related to disaggregation of financial reporting information, we believe the highest priority topic is environmental, social, and governance (ESG) related disclosures. We also believe that further research may be warranted in the areas of business combination disclosures and income tax disclosures.

ESG matters continue to grow in social and investor importance as evidenced by the growth of investment funds and strategies designed around ESG related themes. In addition, there is evidence of increased uncertainty and risk related to an entity's engagement with ESG matters and the social significant of ESG matters as evidenced by the growth in investment opportunities, credits, and other incentives that cause these matters to be impactful on financial reporting. We believe it would be helpful for preparers to have clear principle based guidance that addresses these matters in the context of ESG matters.

Both business combinations and income taxes have been recently highlighted through the regulatory actions related to special acquisition companies (SPACs) and debates around the structure and amount of taxes that corporations should pay. It is our belief that these recent activities indicate that the information needs to users of financial statements may be changing, and it would be appropriate for the Board to research if additional disclosures are warranted.

Separately, we believe that some improvements could be made within income statement and related disclosures to disaggregate performance reporting, but the costs would be high to provide any detail beyond high level classification such as distinguishing selling costs from administrative costs. For example, we believe gathering information such as one-time recurring costs would be costly because systems are not typically designed to identify and categorize costs incurred based on the frequency in which they occur. We also believe that accomplishing disaggregation of performance information will be impractical because of significant differences in the ways companies are managed that makes it difficult to provide useful requirements for the presentation of such information. For these reasons, we support a principles-based approach rather than a rules-based approach to the disaggregation of performance information.

We believe it is important to note that when it comes to disaggregating performance reporting that breakdowns of operating results by jurisdictional or product lines would be inappropriate and especially costly because many companies focus on evaluating performance at the customer relationship level. We believe the benefits to product or regulatory jurisdiction level disaggregation would be minimal and would not outweigh the cost to preparers to reconfigure systems and develop new processes and controls to present data that may not be used in managing the business.

Emerging Areas of Financial Reporting
We believe the accounting for government grants, digital assets, and ESG related transactions are the most important emerging issues for the Board to address. To a lesser extent, we believe it would be helpful for the Board to update the guidance on capitalization for intangible assets, especially for software:

- Government Grants – We believe this area is in need of immediate improvement as evidenced by the significant number of questions and alternative accounting methods used to account for government grants since the outbreak of the COVID-19 pandemic. Due to the lack of authoritative guidance in GAAP, there is an increased risk of manipulation or outright error, and a lack of comparability when accounting for government grants. Therefore, we believe that a project to address the accounting for government grants by for-profit entities should be undertaken.

  A key part of this project will be establishing the scope of any accounting guidance provided. We believe a scope that excludes government incentives or credits provided through income taxes, but otherwise to include arrangements where the government provides nonreciprocal direct cash payments. All transfers should be nonreciprocal (i.e. one way benefiting to the recipient), except for any indirect societal benefits that may result. For purposes of establishing scope, we would exclude discounted lending because the guidance in US GAAP is already clear that the interest rates do not need to be imputed to a market rate when interest rates are affected by tax attributes or legal restrictions prescribed by a governmental agency, which is a practical solution. Although this guidance does not reflect the market value of what was received, due to the required disclosures around debt and relative ease for investors to adjust the effective rate prevents information from being misleading or create costly non-comparability. We considered whether sales tax exemptions, payroll tax holidays, property tax abatements and similar routine types of government tax or fee exemptions should be included in the scope of this project and believe the nature of these benefits are considered to be broadly available to all eligible participants (per law, regulation, and common practice) and would be too costly to gather information for disclosure to be worth the benefits that would be provided to financial statement users.

We believe that a model based on the concepts of IAS 20 would be a preferable model compared to the model described in subtopic 985-605 or the creation of a new model.

- Digital Assets – We believe guidance is needed to address the specific accounting issues associated with digital assets. Members of our group have considered, or are aware of companies considering, the use of digital assets such as accepting payments in cryptocurrency, issuing digital tokens as forms of equity or debt, and using non-fungible tokens (NFTs) as marketing tools. Although not widely adopted, we believe these sorts of uses, as well as investing in digital assets, will be utilized by many companies in the foreseeable future. Therefore, we believe developing principle-based guidance is appropriate at this time. For example, the Board may consider guidance that provides a principle to assess the appropriate accounting treatment for these assets by having an investor or issuer consider the underlying nature of the asset. Under such a principle an investor or issuer may determine the most appropriate model based on whether the digital asset is similar to a financial assets, financial liability, equity interest, intangible asset, or another appropriate model depending on the underlying characteristics and nature of the digital asset. In addition, we strongly encourage the Board to develop examples that assist in applying accounting guidance to different forms of digital assets.

  We also believe the existing intangible asset model that is applied distorts the value of digital assets and is overly complex and burdensome. We further note El Salvador recently adopted bitcoin as legal tender, which raises significant questions about whether bitcoin should continue to be accounted for as an intangible asset by investors.

- ESG Related Transactions – We believe there will be continued growth in ESG related transactions. We believe it is important for GAAP to address how to account for these transactions and to provide disclosure guidance for the transactions and related uncertainties and risks that may affect a company. In particular, we believe there is need for accounting guidance for energy related transactions such as renewable energy certificates, credits, renewable energy partnerships, carbon offsets, and related government assistance. Secondarily, we believe it would be helpful for the Board to research and consider guidance on disclosure over risks and uncertainties related to climate change and social policies.

- Intangible Assets, Including Software – We believe the guidance distinguishing the development of internal use and external use software should be updated for changes in the development process of software. We also believe the distinction between internal use and external use software is no longer useful for financial statement purposes. For example, we do not believe there is a reasonable basis for a company developing software that will be used for hosting services in a Software as a Service (SaaS) type arrangement should account for the cost of developing the software differently from an entity that is developing similar software that will be sold via an on premise license. Distinguishing between these types of software development leads to unnecessary complexity in GAAP.

  Additionally, we noted that one of the largest challenges in applying the guidance on capitalizing software costs is applying the concepts and terminology within the existing guidance to modern software development processes.

A project we do not support is the development of standardized financial key performance indicators (KPIs). We believe it is not practical for the Board to provide definitions for KPIs and Non-GAAP measures. Any definition developed by the Board would likely diverge from how management views the financial results of the business, as well as differ from company specific lender leverage definitions reflected in certain non-GAAP metrics presented outside the audited financial statements. Metrics should be derived based on management's view and evolve with industry practice, and therefore should not follow a standardized rule prescribed by the Board.

Reduction of Unnecessary Complexity in Current GAAP
We would prioritize a project on consolidations, continued simplification of the guidance on distinguishing liabilities from equity and a project simplifying the guidance on debt modifications:

- The consolidation guidance has been difficult to apply and can be hard for even experienced accountants to apply. Because we anticipate that there would be significant costs in a holistic replacement of the existing model, we would prefer a project that focuses on simplifying the variable interest entity (VIE) guidance by reconsidering terminology and definitions used within the model, simplifying the complicated scoping guidance, simplifying the guidance on determining whether an entity is a VIE, simplifying or providing additional examples related to the rules governing entities that are under the control of related party groups and shared power, and reducing or eliminating unnecessary VIE disclosures.

- The guidance on distinguishing liabilities from equity is notoriously complex and difficult to apply. We continue to support the Board's efforts to simplify the guidance and reduce the number of applicable models through the existing project rather than a holistic rewrite of the guidance.

- We also believe that a project considering simplifying the debt modification guidance by permitting all entities to elect to treat debt modifications as debt extinguishments would be a practical solution that would simplify GAAP without creating significant costs on investors or have a significant impact on comparability of financial statements.

We supported the Board's decision to remove the project related to the balance sheet classification of debt from its agenda. We do not believe there are any urgent matters that need to be addressed for the classification of the balance sheet; and therefore, believe this should not be prioritized by the Board and does not warrant a project on the Board's agenda at this time.

In regards to the materiality considerations for disclosures, we note that under the AICPA's codification of auditing standards AU-C Section 450 the definition a misstatement includes disclosures that are required for an item to be presented fairly in accordance with the applicable financial reporting framework and that an auditor should accumulate misstatements identified during the audit, other than those that are clearly trivial. Furthermore, when evaluating if uncorrected misstatements are material an auditor considers the misstatements in aggregation, including those misstatements related to disclosure, in order to consider the size and nature of misstatements in relation to transactions, accounts balances, or disclosures. Under AU-C Section 260, the auditor is required to report those misstatements to governance. The PCAOB has similar requirements and also includes incomplete disclosures as a form of misstatement. Trivial is understood to be a level lower than immaterial, and as a result an auditor will accumulate disclosures that are merely immaterial as misstatements for evaluation. In other words, adding a statement that a disclosure is not required if a disclosure is immaterial would not absolve the auditor of assessing whether the omission of a disclosure is immaterial, but more than trivial. We believe the regulatory and legal environment in the United States of America will result in auditors continuing to accumulate omitted disclosures and reporting them to governance as immaterial, but more than trivial. As a result, we believe that the incentives of auditors, preparers, and governance will continue to encourage the inclusion of immaterial disclosures whether or not the Board states within each disclosure section that the provisions of the Codification need not be applied to immaterial items.

Improvements to FASB Standard-Setting Processes
We believe it is important for the Board to include the basis of conclusion and staff FAQs in the codification by direct incorporation or through links. We believe this will aid preparers in applying GAAP in a more consistent manner and will reduce the cost of applying GAAP. We also encourage the Board to consider implementing a dynamic software solution that would permit filtering the codification by a particular effective date to improve the readability of the Codification.

As evidenced by the FASB staff's effective use of non-authoritative guidance for the implementation of major standards and addressing the circumstances of the pandemic, we believe an interpretations committee that regularly addresses questions and clarifies guidance would be an effective tool. Therefore, we support the Board considering modifying the role of the EITF to issue interpretative guidance that is directly linked to the Codification.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have regarding our response. Please direct any questions to Mark Winiarski, TIG Chairman, MWiniarski@CBIZ.com.

Sincerely,

Mark Winiarski, CPA
TIG Chairman