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Question Text	Response	Status
* Please select the type of entity or individual responding to this feedback form.	Not Asked	Not Asked
Other, please specify (Specified)		
* Please select the type of entity or individual responding to this feedback form.	Preparer	Completed
Other, please specify (Specified)		
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Organization *	None	
First name *	Danielle	
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<p>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:</p> <p>a. Academic b. Investor, other allocator of capital, or other financial statement user, such as:     1. Equity analyst: buy side</p>	<p>Thank you for the opportunity to provide feedback and respond to the Board’s agenda. This letter reflects my individual viewpoint, and it is not necessarily the viewpoint of any organizations I am affiliated with.</p> <p>d. Practitioner/auditor</p>	Completed

<ul style="list-style-type: none"> <li>2. Equity analyst: sell side</li> <li>3. Credit-rating agency analyst</li> <li>4. Fixed-income analyst</li> <li>5. Accounting analyst</li> <li>6. Quantitative analyst</li> <li>7. Portfolio manager</li> <li>8. Private equity</li> <li>9. Lender</li> <li>10. Long/short focus</li> <li>11. Other             <ul style="list-style-type: none"> <li>c. NFP organization preparer</li> <li>d. Practitioner/auditor</li> <li>e. Private company preparer</li> <li>f. Public company preparer</li> <li>g. Regulator</li> <li>h. Standard setter</li> <li>i. Other.</li> </ul> </li> </ul>		
<p>Which topics in this ITC should be a top priority for the Board? Please explain your rationale, including the following:</p> <ul style="list-style-type: none"> <li>a. Why there is a pervasive need to change GAAP (for example, what is the reason for the change)</li> <li>b. How the Board should address this topic (that is, the potential project</li> </ul>	<p>This ITC outlines many worthy subjects that warrant the Board’s attention. I want to focus my comments on two topics that are creating complexity in the technology sector. These issues existed pre-pandemic. However, they have become more pronounced and painful to deal with as the speed of innovation has increased in over the pandemic and conceptual age that we are in.</p>	<p>Completed</p>

<p>scope, objective, potential solutions, and the expected costs and benefits of those solutions)</p> <p>c. What the urgency is of the Board completing a project on this topic (that is, how quickly the issues need to be addressed).</p>		
<p>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.</p>		<p>Completed</p>
<p>Are there any financial reporting topics beyond those in this ITC that should be a top priority for the Board to address? Please describe:</p> <p>a. The nature of the topic</p> <p>b. The reason for the change</p> <p>c. Whether the topic is specific to a subset of companies, such as public companies, private companies,</p>		<p>Completed</p>

<p>or NFPs, or specific to a certain industry</p> <p>c. 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)</p> <p>d. What the urgency is of the Board completing a project on this topic (that is, how quickly the issues need to be addressed).</p>		
<p>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:</p>		<p>Completed</p>

<p>a. Which projects on the FASB’s agenda should the Board prioritize completing? Please explain.</p> <p>b. Which projects, if any, should the Board deprioritize or consider removing from the agenda? Please explain.</p> <p>c. Which projects, if any, need to be redefined to improve the objective and/or scope? Please explain.</p>		
<p>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:</p> <p>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</p>		<p>Completed</p>

<p>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?</p> <p>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.</p>		
<p>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.</p>		<p>Completed</p>
<p>Preparers—What requests or questions, if any, does your company receive from analysts on cash flow information? Please explain.</p>		<p>Completed</p>

<p>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.</p>		<p>Completed</p>
<p>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 is it decision useful?</p>		<p>Completed</p>
<p>Preparers and practitioners—Does your company (or companies that you are involved with) hold significant</p>		<p>Completed</p>

<p>digital assets, such as crypto assets? What is the purpose of those holdings?</p>		
<p>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?</p>	<p>The complexity of digital assets is that they are like chameleons and can look different based on who is holding them and how they are used. Therefore, there are many areas of GAAP that would make sense to apply if digital asset accounting was able to get to that area of GAAP through the currently limiting definitions.</p> <p>Complexities arise when the same asset is moved from one location to another (with no underlying change to the asset), and yet that movement changes the fundamental nature of the asset.</p> <p>For example, the Master Glossary definition of “Cash” states:</p> <p>Consistent with common usage, cash includes not only currency on hand but demand deposits with banks or other financial institutions. Cash also includes other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty. ...</p> <p>I believe there is a strong argument that a stable coin held in a reputable New York-regulated exchange would meet the above definition as a demand deposit. However, the moment that the coin is removed from the institution (in accordance with the definitional ability requirement), it no longer meets the definition of cash and becomes an intangible asset.</p> <p>The vote by El Salvador earlier this year to make Bitcoin a legal tender further complicates this concept as now there is an argument that Bitcoin is a currency in the definition of cash as it now could be considered a fiat currency.</p> <p>I support a short-term improvement to allow a company to elect fair value for certain classes of digital assets (of the company’s choosing) with relevant and appropriate disclosures. Without this election, extant GAAP creates unnecessary complexity and irregularity to the earnings of a company. Further, as the digital asset markets become more complex, there could be unintended consequences. For example, there are many avenues to be able to use digital assets as collateral for debt. The balance sheet will start to paint a misrepresentation of the underlying economics of a business if the assets (collateral) are carried at effectively lowest costs and the debt is carried in the</p>	<p>Completed</p>

	<p>ordinary course of the debt.</p> <p>Therefore, in addition to the short-term improvement, I also support a full project on digital assets to be inclusive of all digital assets (EPA Renewable Identification Numbers (RINs), cryptocurrency, non-fungible tokens (NFTs), etc.). This project will greatly impact the ESG-Related Transaction space as well. Some of the complexities mentioned in the ESG-Related Transactions section are complexities due to the lack of guidance related to digital assets.</p>	
<p>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.</p>		<p>Completed</p>
<p>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.</p>		<p>Completed</p>
<p>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?</p>		<p>Completed</p>
<p>If the Board were to pursue a project on the recognition and measurement</p>		<p>Completed</p>

<p>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?</p>		
<p>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)?</p>		<p>Completed</p>
<p>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</p>		<p>Completed</p>

<p>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?</p>		
<p>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.</p>	<p>My comments will be focused on software to be sold, leased or otherwise marketed under extant ASC 985-20-25.</p> <p>The historical project management methodology for software development was typically called “waterfall” and would wait to start the next step of the development process until the past steps were completed. Under current guidance, there are two options of when to capitalize versus expense based on when technological feasibility was obtained. Either a detailed design or having a working (included testing) model is the trigger point to move from expensed as research and development to capitalized. Then once there is a general release, there is a change again, but now back to expense for maintenance (ASC 985-20-25-6).</p> <p>The currently preferred methodology by many software companies is Agile or some derivation of Agile. The Agile project management methodology relies upon limited design and short sprints of coding. Most developers are trying to get a base platform up and running as quickly as possible and then add on new features once the platform is up. The sprints will also include bug-fixes and other maintenance from the past sprints as user acceptance testing is performed.</p> <p>Due to the nature of the fast-paced cycle and the conflation on what is a fix versus a new feature, ASC 985 is particularly confusing and not consistently a meaningful calculation. In effect, there is a mini-water fall approach in each sprint and within each new feature within the Agile project management methodology.</p> <p>The underlying platform may hit technology feasibility as early as the 2nd or 3rd sprint, and then each new feature technically should have its own assessment of technological feasibility. The work to apply the current demarcation lines in less than 2-week cycles is usually not a meaningful exercise. This is especially true when a mantra of this industry’s investors and financial statement users are “move fast; break things”.</p>	<p>Completed</p>

	<p>Traditional project management can lead to no or low capitalized costs as there can be a very little amount of costs incurred between the period of a tested working model in place and general release.</p> <p>In Agile, the developer’s goal is to obtain the minimum viable product (MVP) as soon as possible on as bare-bones of a platform or architecture as soon as possible. Therefore, in Agile, companies are hitting technological feasibility very early in the production cycle.</p> <p>However, after technological feasibility, the concept of a new feature (partially capitalized) vs. R&amp;D/fix/maintenance (expenses) is almost indistinguishable. This is especially problematic for the technological feasibility within new major features on a bare-bones platform.</p> <p>For many companies, the split between capitalization and expense is not only meaningless with a high-cost of compliance but actually less useful to users of financial statements as it takes more effort to find all of the components of the spend (balance sheet and income statement) software development costs.</p> <p>I would like to echo and summarize a concept that based on a comment that Michael Minnis, PCC Member, made in response to my presentation on this topic in September 2020.</p> <p>The concept of technological feasibility, in extent GAAP, is from a time when there was more risk about the technology itself not working. Currently, the risk of the technology not working is lower than the lack of ability to get a particular technology adopted (i.e. the concept business/economic risk). Yet extent thresholds for capitalization and expense seem to be more focused on the risk of potential of the technology not working, which is not the current prevalent operational risk.</p> <p>As a short-term solution, I would support an election for a company to choose which platforms could adopt an expense-only treatment with relevant and appropriate disclosures while a longer-term or more holistic project is assessed.</p>	
<p>Should the Board prioritize a potential project on current and noncurrent classification of assets and/or liabilities in a classified balance</p>		<p>Completed</p>

<p>sheet? If yes, what should be the scope? Please explain.</p>		
<p>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?</p>		<p>Completed</p>
<p>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.</p>		<p>Completed</p>
<p>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</p>		<p>Completed</p>

<p>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?</p>		
<p>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.</p>		<p>Completed</p>
<p>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:</p> <ul style="list-style-type: none"> <li>a. Why that process needs improvement</li> <li>b. How the FASB</li> </ul>		<p>Completed</p>

<p>should improve that process                  c. What the urgency is of that process improvement.</p>		
<p>Please provide any additional comments on the Invitation to Comment:</p>	<p>Thank you again for the opportunity to provide feedback to the Board’s agenda. I would be pleased to discuss any questions you may have about these matters.</p>	<p>Completed</p>
<p>Please provide any comments on the electronic feedback process:</p>		<p>Completed</p>