

10/29/2021

Record ID: 637710942000696390

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.	Accounting Firm/Auditor	Completed
Other, please specify (Specified)		
* Please provide contact information for any follow-up questions.	(Filled in as Follows:)	Completed
Organization *	C.P.A.	
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Restriction Type: Do you agree with the Board’s decision on scope to include all contractual restrictions that prohibit the sale of an equity security? Please explain why or why not.	Answer : This commenter knows that restricted equity securities insofar as their fair value is concerned can present different characteristics as attributable to assets and then separately as attributable to the equity – holder entity. The scope of this Update on Topic 820 should not provide for all contractual restrictions that prohibit the sale of an equity security : All contractual restrictions to prohibit sale while attributed to certain equity securities should not directly affect the fair value of those securities in the determination of the value of those securities themselves. While restriction provisions are implemented to affect the performance of restricted securities during the time the shares are restricted, for example, imposing a prohibition on the sale of all restricted securities detracts from the decision – useful information of the restricted securities and the liquidity and value of the shares during the restriction(s) as well as the factors having to do with the performance outright of the shares during the restriction. Imposing a prohibition on the sale of all restricted securities also is a measure of the value of the securities themselves that negatively affects the value of the securities as readily	Completed

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	determined and is a detracting economic distortion vis – a – vis the value of unrestricted securities.	
Measurement: Do you agree with the Board’s decision that a contractual restriction prohibiting the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, should not be considered in measuring fair value? Alternatively, should the Board amend the guidance in Topic 820 (or elsewhere in GAAP) such that contractual sale restrictions would be required to be considered in determining fair value?	Answer : While the contractual restriction prohibiting the sale of the equity security is not considered part of the unit of account of the equity security and, therefore, should not be considered in measuring fair value, the associated restriction and prohibition given equity market evidence observably exerts downward pressure on the value of the equity which is different from an equivalent equity security with an unadjusted fair value that does not reflect the restriction(s). This negative effect or discount on the value of the restricted security is inconsistent with the unit of account and should not be considered in fair value measurements given an observable difference by this between economic fair value and accounting fair value.	Completed
Entity Type: Should all types of entities use the same unit of account when measuring the fair value of an equity security subject to a contractual sale restriction, or should certain types of entities (for example, investment companies, broker dealers, and pension plan financial statements) have a different unit of account? Please explain your response.	Answer : The contractual sale of restricted equity, or the prospective sale of restricted equity shares frequently and observably shows a lessening of value upon the lifting of the restriction(s) to equity and as the date of lifting the restrictions approaches and then passes in time. It has been suggested that contractual sale restrictions be treated as a separate unit of account, and this commenter believes that while restrictions have economic value, these should be measured at fair value and combined with the underlying investment for disclosure purposes which is consistent with balance sheet reporting of all investments at fair value.	Completed
Disclosures: Would qualitative	Answer : In the sale of restricted equity securities there are qualitative and quantitative factors associated with both the	Completed

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<p>disclosures or quantitative disclosures (for example, describing the nature of a contractual sale restriction on an equity security and the related amount recognized on the balance sheet of a reporting entity) be helpful for users to understand the effects of a contractual restriction on the sale of an equity security held by a reporting entity? Please explain why or why not. For reporting entities, what costs would be incurred to disclose that information?</p>	<p>security and the entity holding the equity. Additional qualitative and quantitative disclosures on the balance sheet concerning restricted equity might be of marginal benefit to investors, though the costs and benefits of these additional disclosures do not allow for constructive assessment as to measurement of the purposes, informational value and utilities of the proposed disclosures. Concerning the possible help to investors in understanding the effects of a contractual restriction on the sale of an equity security held by a reporting entity, this commenter believes the entity should state and rely upon, though not solely, investors understanding the assertion that balance sheet treatment of restricted equity securities is not for those not well – versed in such matters.</p>	
<p>Transition: Do you agree with the transition guidance in this proposed Update? Please explain why or why not.</p>	<p>Answer : This commenter has reviewed the transition guidance of this ASU on Topic 820, and believes that while the discount for restricted equity securities is presently integrated into investment disclosures in its disclosure treatment on the balance sheet (an entirely passable accounting treatment), that share values, performance and price fluctuations of restricted equity, in the event of the implementation of this ASU, call for specialized guidance given the complex computational tasks involved in the application of this ASU on its date of adoption.</p>	<p>Completed</p>
<p>Implementation: How much time would be necessary to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by</p>	<p>Answer : Valuation of unrestricted securities is different from that of restricted securities even though the securities are similar though not equivalent. Valuation of restricted securities is complex and computing the discount values of restricted securities is complex and requires specialized guidance to facilitate implementation of this ASU. Presumably, the time needed to implement the proposed amendments between public and other than public entities is more or less equivalent given the scale and scope of public business and that of other than public entities at the same time. Nonetheless, public and other than public entities alike should be allowed specific guidance on the computations necessary to present relevant and reliable, and representationally faithful balance sheet disclosures on these matters. Due to the possible constraints on resources in other than public companies in implementation, the non –</p>	<p>Completed</p>

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<p>public business entities? Please explain your response.</p>	<p>public entities affected by this ASU should be given an additional twelve months beyond the implementation date for public companies in their compliance efforts.</p>	
<p>Clarity and Operability: Do you agree that the proposed amendments and, in particular, the definition of a restricted security provide the necessary clarity to resolve existing diversity in practice? Please explain why or why not. Are the proposed amendments operable and auditable? If not, which proposed amendment or amendments pose operability or audibility issues and why?</p>	<p>Answer : This commenter suggests along with the alternative views presented in this ASU that diversity in practice in this matter could be resolved by amending Topic 820 concerning restricted securities that use a unit of account for the equity security and equally for the contractual sale restriction agreement if there is one. This would validate that the contractual sale restriction must be combined with the equity security for purposes of determining fair value. This would facilitate the diverse treatments of restricted equity, and would allow for better auditability and operability.</p>	<p>Completed</p>
<p>Please provide any additional comments on the Proposed Update:</p>	<p>Thank you for this opportunity to comment and to provide feedback.</p>	<p>Completed</p>
<p>Please provide any comments on the electronic feedback process:</p>	<p>In the event a formal memorandum is needed to further clarify the individual and personal views of this commenter, the Board is welcome to contact the commenter given the details at the head of this web sheet.</p>	<p>Completed</p>