



September 21, 2022

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

File Reference No. 2022-002

Dear Ms. Salo:

The AICPA's Financial Reporting Executive Committee (FinREC) appreciates the opportunity to comment on FASB's Invitation to Comment (ITC), *Accounting for Government Grants by Business Entities*.

FinREC agrees that it would be beneficial to have specific topical authoritative guidance in US GAAP on the accounting for government grants by business entities. FinREC also believes that IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, is a logical starting point as many business entities in the United States currently analogize to it. The ITC also noted that approximately three-quarters of respondents that provided specific feedback on the accounting for government grants in the 2021 ITC, preferred that the Board leverage IAS 20. However additional guidance would be helpful to users of financial statements as IAS 20 includes policy elections for alternative methods of presentation, that have resulted in diversity in practice.

FinREC acknowledges that FASB ASC 958-605 provides appropriate guidance for not-for-profit entities and recommends that the Board consider incorporating some of the concepts in ASC 958-605 when developing the accounting model for for-profit entities. Although we acknowledge that a failure to conform the guidance between for-profit entities and not-for-profit entities will create diversity, we believe that similarity in outcomes between the model in IAS 20 and ASC 958-605 will likely limit the extent of that diversity. In addition, we believe that any lack of comparability is significantly outweighed by the additional costs that would be incurred by not-for-profits to modify their current accounting model, especially given the importance of government grants to their operations.

The remainder of this letter provides more specific feedback on IAS 20 for your consideration if the Board decides to move forward with the project.

### **Scope**

FinREC believes that it would be helpful to provide additional clarification, beyond what is included in IAS 20, regarding which contracts and arrangements would be considered government grants in scope of the guidance. FinREC also believes that clarification of the definition of

government assistance would be helpful to preparers and practitioners in applying the definition of government grants.

FinREC recommends that the Board consider including the concepts on determining whether a transfer of assets is an exchange transaction in FASB ASC 958-605-15, Topic, *Not-For-Profit Entities, Revenue Recognition – Scope and Scope Exceptions*, to further elaborate the concept of transfer of resources under IAS 20.

In addition, FinREC believes it would be helpful if the guidance developed include examples of the types of contracts and agreements, both monetary and nonmonetary, that would be considered government grants in the scope of the guidance as well as considerations for when application is not as clear. FinREC is happy to assist in the development of examples to be included in the guidance.

For loans with below market interest rates, FinREC recommends that the Board evaluate any potential unintended consequences from including loans in the scope of the grant guidance.

### **Recognition & Measurement**

Question 13 of the ITC notes that the term “reasonable assurance” is not defined in IAS 20. FinREC recommends that the Board replace the term “reasonable assurance” as used in IAS 20 with “probable,” as used in US GAAP.

### **Presentation**

FinREC believes that comparability in the presentation of government grants is important. To ensure comparable financial reporting between entities, FinREC recommends that the FASB consider providing specific presentation guidance to reduce the diversity that exists today from the multiple presentation elections included in IAS 20. Currently under IAS 20, alternative methods are acceptable for presentation of grants related to assets and income, respectively, in the statements of financial position and profit or loss. Depending on which alternatives are elected, the same transaction can result in differences in depreciation expense, capital expenditures and fixed assets that create non-comparable key investor metrics.

FinREC also recommends that the Board consider addressing whether classification of government grants as revenue would be acceptable, as that is a common question asked today.

Members of FinREC and AICPA staff would be pleased to discuss any of these comments at your convenience.

Sincerely,

Angela J. Newell

Chair

Financial Reporting Executive Committee