



American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775

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Technical Director

Financial Accounting Standards Board

401 Merritt 7

P.O. Box 5116

Norwalk, CT 06856-5116

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The American Institute of Certified Public Accountants' Financial Reporting Executive Committee (FinREC) appreciates the opportunity to comment on FASB's Exposure Draft (ED), *Government Assistance (Topic 832) — Disclosures by Business Entities about Government Assistance*.

We appreciate the Board's effort to increase transparency about government assistance arrangements by requiring disclosures in the notes to business entities' financial statements. As acknowledged in the ED, there is currently a lack of guidance on recognition and measurement of government assistance arrangements in US GAAP. Accordingly, we believe the Board should also develop recognition and measurement guidance for government assistance arrangements. As a starting point to develop that guidance, the Board could explore the concepts in International Accounting Standard (IAS) 20, *Accounting for Government Grants and Disclosure of Government Assistance*, because the Board's constituents have experience with that standard. AcSEC's 1979 Issues Paper *Accounting for Grants Received from Governments* launched what would become IAS 20, and we continue to believe that the scope of IAS 20 and its focus is a useful starting point for the FASB. As part of its initial research, we also suggest that the FASB solicit input from preparers, auditors, and users of financial statements to obtain their views on the needs of those parties in relation to that standard.

Should the Board decide to proceed with a standard on disclosures only, we have some concern about the broad scope of the proposal and whether application of the proposal to such a wide range of arrangements could have unintended consequences and result in disclosure of information that is not decision-useful.

As an example, we believe certain transactions accounted for under other ASC topics, such as ASC 740, *Income Taxes*, should be excluded from the scope of the disclosure requirements. Arrangements between the reporting entity and taxing authorities, including foreign governments, can be sensitive, and disclosing them might cause the reporting entity to violate nondisclosure provisions or otherwise cause economic harm to the reporting entity. To the extent that the Board believes that increased transparency is necessary in the disclosure of income taxes as it relates to government assistance, we would recommend that the Board address those disclosure requirements as part of its more holistic project on income tax disclosures.

We question how the proposed disclosure requirements would be applied by large entities with potentially hundreds of individually insignificant government assistance programs around the world; although the proposed requirements include no explicit guidance on aggregation, the disclosure requirement in proposed paragraph 832-10-50-3 seems to address disclosures that would cover an entity's entire population of government assistance programs. We believe the burden on any large entity might be overwhelming. Yet disclosure of government assistance programs in the aggregate may be difficult to provide in a meaningful way. We believe, however, that if the requirements were properly scoped, disclosure of individually material arrangements would not create an unreasonable burden and would improve the transparency of financial statements.

We question whether proposed paragraph 832-10-50-3(d) on the value of unrecognized benefits is operational. Entities may incur significant costs to identify and determine the amount of government assistance received but not recognized in their financial statements. Currently, unless such assistance is required to be recognized in the financial statements, entities likely do not have existing processes and controls to adequately capture information necessary to meet the disclosure requirements. We also are unclear as to what is meant by disclosing the "value" received by the entity. Does value include, for example, permission to build a plant in a particular location? Is receiving an advantageous real estate tax assessment (versus a reduction in the rate applied to that assessment) government assistance? Furthermore, determining the "value" of such assistance may be particularly challenging as government assistance may come in various forms with terms that are unique and not comparable to market transactions.

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Representatives of FinREC are available to discuss our comments with Board members or staff at their convenience.

Sincerely,

A handwritten signature in cursive script that reads "James A. Dolinar". The signature is written in black ink and is positioned above the printed name.

James A. Dolinar

Chairman

FinREC