

April 8, 2024

Technical Director
Financial Accounting Standards Board
801 Main Avenue
PO Box 5116
Norwalk, CT 06856-5116
File Reference No. 2023-ED700

Dear Ms. Salo:

The AICPA’s Financial Reporting Executive Committee (FinREC) appreciates the opportunity to comment on FASB’s Proposed Statement of Financial Accounting Concepts, *Concepts Statement No. 8, Conceptual Framework for Financial Reporting, Chapter 6: Measurement*.

FinREC supports the development of a concepts statement to address how items which are recognized in financial statements should be measured and when a specific measurement system should be applied. The following is specific feedback on the proposed statement of financial accounting concepts for your consideration.

FinREC agrees that the entry and exit price systems as described in paragraph M7 of the proposed statement of financial accounting concepts are relevant and representationally faithful measurement systems that would meet the objective of general-purpose financial reporting. The *Conceptual Framework for Financial Reporting* issued by the International Accounting Standards Board separately identifies a third measurement basis, *value in use*. FinREC believes it would be helpful to provide explanation as to how the value in use measurement model was considered by the Board in the proposed concepts statement.

FinREC agrees it would be helpful to include the concepts summarized in paragraph S6 of the proposed concept statement in the final concept statement, as it provides a useful overview of the framework for how to think about determining which measurement system is appropriate.

FASB should consider separately discussing initial and subsequent measurement within each measurement system, including the *price measure* to use at initial measurement and how that price measure should be determined. Some readers may find paragraphs M5 and M8 of the proposal confusing. For example, paragraph M5 states, “[w]hen an exchange occurs, that price is an entry price to one party and an exit price to the counterparty.” Although this sentence may contemplate the general perspectives of two parties to the same transaction, some readers may infer that paragraph M5 contemplates the use of exit price (fair value from the perspective of a market participant). Other readers may infer that paragraph M8 contemplates the use of entry price (based on the guidance appropriate for the measurement system selected).

Paragraph M17 states that costs to acquire an asset or assume a liability are expensed as incurred “unless the counterparty in a transaction would be willing to include those costs incurred in its entry price.” FinREC believes that it would be helpful to expand on the circumstances being contemplated. For example, does use of the term “counterparty” instead of “market participant” imply that entity-specific assumptions are being used and estimates are not fair value? In addition,

this paragraph should provide examples illustrating when an exit price measure is used, and the market-participant would include costs in its entry price.

FinREC believes that the concepts statement should identify factors in which initial measurement may result in an inception gain.

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

Sincerely,

Mark Crowley, Chair

FinREC