



October 14, 2021

Alan Skelton, CPA
Director of Research and Technical Activities
GASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: June 30, 2021 GASB Proposed Statement on Concepts Related to Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements [Project No. 3-34]

Dear Mr. Skelton:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

As indicated in our [comment letter](#) submitted April 15, 2020, TIC agrees that this proposed Concepts Statement would improve financial reporting by enhancing the framework through which the GASB maintains consistency in standards setting.

In our previous letter we expressed concern about the definition of essential as used in paragraph 11. TIC appreciates the Board considering feedback received as described in B20-34 and believes the amended version is an improvement over the original. While the updated version is an improvement, TIC still encourages the Board to include implementation guidance and examples which would more clearly illustrate the guidance therein. Specifically, we are concerned that the lack of either a definition or examples of the term "a breadth or depth of users" may result in confusion in practice.

In reading paragraph 11 in conjunction with B29 it is clear that the Board's intent is for all three criteria in paragraph 11 to be required to be considered essential (from B29):
In other words, for information to be considered essential, it should possess each of the three characteristics included in paragraph 11.

While that intention is clear when also reading the B29, TIC suggest modification of paragraph 11 to make it clear that all three criteria are required to be considered essential. A modification such as the following would achieve that objective (additions underlined and italicized):

11. Notes to financial statements are essential to users in making economic, social, or political decisions or assessing accountability. The term essential, as used in this Concepts Statement, conveys the degree of importance that information contained in notes to financial statements should possess. Information that is essential to users in making those decisions or assessments is evidenced by *possessing all* the following characteristics:

- a. Users utilize the information in their analyses for making decisions or assessing accountability or would modify those analyses to incorporate the information if it were made available.
- b. The information has or would have a meaningful effect on users' analyses for making decisions or assessing accountability.
- c. A breadth or depth of users utilize or would utilize the information in their analyses for making decisions or assessing accountability.

The determination of whether information is essential should relate to individual information items. That is, each item disclosed should possess the characteristics of essentiality.

In our previous letter TIC also expressed that our belief is that this definition of essential should focus on the needs of users for decision making and accountability and align with that purpose. While we acknowledge that the Board has indicated in B9 that social and political decisions should be considered and included in that definition and determined that they should, TIC wishes to reiterate our previous comment noting that this definition remains too broad and should instead focus solely on economic decisions.

Consistent with our previous letter, TIC remains concerned that the definition of a "reporting unit" is not clear as used in the revised exposure draft. Specifically, it is not clear based on the wording if the intent of the Board is to refer to the "opinion unit" when using the term "reporting unit" in this context. While we acknowledge that the Board has provided some clarity to the term within the Basis for Conclusion, we continue to believe that using a more specific term such as "opinion unit" if that is the Board's intent or providing a definition or example if the "reporting unit" wording is retained would be beneficial in this area.

Finally, in the basis for conclusion, the Board indicates the information should have expected benefits that justify their perceived costs. TIC members believe this could be an opportunity to reference publicly available information in the notes, rather than repeating this information. An example would be GASB 68 and GASB 75 note disclosures.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Bryan Bodnar

Chair, On Behalf of the PCPS Technical Issues Committee