



May 8, 2009

Russell G. Golden, CPA
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FASB
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LETTER OF COMMENT NO. 28

Re: TIC Comments on the FASB *Accounting Standards Codification*TM Project and the March 27, 2009 Exposure Draft of a Proposed Statement of Financial Accounting Standards, *The Hierarchy of Generally Accepted Accounting Principles*, a replacement of *FASB Statement No. 162* [File Reference No. 1690-100]

Dear Mr. Golden:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, 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.

TIC members reviewed the following topics within the FASB *Accounting Standards Codification*TM (the Codification) for content, organization, completeness, accuracy, and ease of use (including search features and navigational attributes). The review was performed by assigning the following individual topics to selected TIC members: Consolidation, Equity, Leases, Property, Plant & Equipment, Revenue Recognition, and Share-Based Compensation. The Committee's comments are therefore limited in scope. In addition, this letter includes comments forwarded to TIC from various staff within the AICPA.

This letter includes the results of the limited Codification review described above and TIC's comments on the ED to replace FASB Statement No. 162.

GENERAL COMMENTS

The Codification is a major step forward in improving accessibility to authoritative accounting literature. TIC found the Codification to be well organized and comprehensive,





with many user-friendly features. The sections and related illustrations are written in a style that is clear, concise and easy to understand. The topics reviewed by TIC members accurately reflect the content of the original standards. TIC appreciated the frequent linkages provided to related material and the mouse-over feature that provides pop-up definitions of glossary terms within the text of the standard.

TIC also supports the provisions of the Proposed Statement, which will officially establish the Codification (excluding the SEC content) as the sole source of authoritative GAAP for nongovernmental entities. TIC agrees with elevating the authority of the AICPA revenue recognition inquiries and with all of the transition provisions and the effective date.

TIC was pleased to see that the FASB is issuing weekly alerts in advance of the effective date to familiarize constituents with the Codification in a step-by-step manner. TIC encourages the Board to utilize as many avenues as possible to publicize the Codification in the coming weeks and months. TIC also suggests that the FASB publicize its pricing schedule as soon as possible for those who wish to purchase advanced features beyond the basic view.

SPECIFIC RECOMMENDATIONS

Within the next several days, TIC will submit the following suggestions directly to the FASB using the electronic feedback system on the FASB web site:

Content Issues

(1) Authority of the Codification and the Related SEC Material

TIC believes the summary Notice to Constituents on the Codification Home Page should be revised to more accurately reflect the authority of its content. The summary should acknowledge that the Codification's authority is limited to the non-SEC content and extends only to nongovernmental accounting and reporting standards. The following paragraph, which is adapted from paragraph 6 the ED, would be an appropriate substitute for the summary on the Codification Home Page that exists today:

The FASB Accounting Standards CodificationTM is the sole source of authoritative U.S. generally accepted accounting principles to be applied by non-governmental entities, except for the rules and interpretive releases of the SEC under authority of federal securities laws, which are sources of GAAP for SEC registrants.





(2) Existence of Qualifying Terms

Page 25 of the Notice to Constituents states that generic qualifying terms, such as “ordinarily,” “generally,” and “usually,” have been eliminated from the Codification. However, TIC found 78 hits for “ordinarily,” 420 for “generally” and 143 for “usually” in a recent search of the Codification.

It is likely that most of the qualifying terms in the above search are used within the context of descriptions and factual depictions. However, TIC discovered four instances where qualifying terms have been used in connection with requirements:

- FASB ASC 450-30-25-1 Recognition of gain contingencies

A contingency that might result in a gain usually should not be reflected in the financial statements because to do so might be to recognize revenue before its realization.

[Note: To be consistent with the guidelines in the Notice to Constituents, page 25, TIC suggests that the word “shall” be substituted for “should” above.]

- FASB ASC 720-30-35 Subsequent measurement of real and personal property taxes

Since the liability for property taxes must frequently be estimated at the balance sheet date, it is often necessary to adjust the provision for taxes of a prior year when their amount has been ascertained. These adjustments should ordinarily be made through the income statement, either in combination with the current year’s provision or as a separate item.

[Note: To be consistent with the guidelines in the Notice to Constituents, page 25, TIC suggests that the word “shall” be substituted for “should” above.]

- FASB ASC 942-320-35-1 Subsequent measurement of investments in debt securities in the financial services—depository/lending industry

Amortization of accretion period—The period of amortization or accretion for debt securities shall generally extend from the purchase date to the maturity date, not an earlier date.

- FASB ASC 965-320-50-1 Disclosure of debt/equity investments by health and welfare benefit plans

Ordinarily, information regarding the net appreciation or depreciation in the fair value





of investments shall be disclosed in the notes to financial statements.

As a result of its findings, TIC recommends that an editorial review be performed to help ensure that all qualifying terms are consistent with the stated policy and are not used in connection with requirements.

Further, we suggest that the Notice to Constituents be revised to say that, “The Codification eliminates such terminology *when used to qualify a requirement.*”

(3) Net Assets for Not-For-Profit Organizations

The general Equity topic now includes subtopics for various industries (i.e., Agriculture, Depository/Lending, Insurance and Investment Companies) that have unique equity characteristics. Donors represent a special class of claimants to the net assets of a not-for-profit entity. Therefore, the equity of a not-for-profit organization should be accorded the same treatment within the Codification as the special industries cited above. Therefore, TIC recommends that an industry section for Not-for-Profit Organizations be added to the Equity topic (FASB ASC 505).

(4) Linkage Problem within the Equity Section

The links in paragraph 505-10-60-4 should be repositioned within the paragraph. As written, the reader would expect to find accounting guidance on parent’s shares owned by a subsidiary in both links. In fact, this information is found only at the second of the two links: 810-10-45-5. The link to 810-10-40-1 applies exclusively to accounting for the purchase of a wholly-owned subsidiary’s mandatorily redeemable preferred stock. The links should be placed in separate sentences within the paragraph to avoid confusion.

Navigation, Search and Other Codification Features

(5) Navigation

TIC noted that often the “Back” button must be clicked twice to return to a previously viewed screen. The interim stop is the general location of the link. This feature slows down navigation and may be confusing to some. If retained, the Notice to Constituents and the Help Menu should be revised to alert users to the peculiarities of this feature.

(6) Search Feature

The search feature for the codification will be critically important to ensuring that users retrieve complete and accurate cites to topics of interest. However, some TIC members found the search feature to be cumbersome for both basic and advanced searches. Most keyword searches retrieve hundreds of references, and members find that narrowing the





search is very time-consuming. The Search tutorial was not that helpful. TIC suggests that the search tutorials be revised to provide more detailed guidance on how to use the search feature most effectively.

TIC also performed a test search to look for the standards relevant to accounting for a “rent holiday.” Finding relevant sections of the standards was difficult due to inconsistent use of terminology within the Leases section. In addition, the search term was not always highlighted in the search results page. The member mistakenly assumed that search results without highlighted terms were false hits. The full details of the search are described below.

The search term was “rent holiday” (including the quotes to restrict the search to the exact phrase in the search bar). The search results page displayed one hit. However, it appears to be an erroneous hit because the search results page does not include the highlighted search term. Clicking on the link for the citation listed directs the reader to text within the leasing section that does include the search term, but it’s not that obvious. You would have to scroll down to paragraph 25-2 within 840-20-25 to see that a synonym for rent holiday is “inducement.” You would also see the phrase “nonlevel rents.” Unfortunately, the FASB is not consistent in using these terms throughout the section. So, re-performing the search with those new words doesn’t yield any additional hits. You would have to know to scroll down further within 840-20-25 to find Lease Incentives in pars. 25-6 and 25-7. These paragraphs include general accounting guidance and then cite two common types of lease incentives. Then, if you re-perform the search using “incentive” only and limit it to the leasing topic (840), you will also see that section 840-20-55 includes sample journal entries for lessors and lessees when a lessor assumes a lessee’s loss on a sublease.

TIC hopes that wording inconsistencies and lack of highlighted search terms within search results can be corrected. However, if this is not possible, additional instructions need to be provided in the search tutorial to better advise readers about the possible pitfalls in the search feature.

(7) Print Features

The “Printer Friendly with Sources” feature is very useful but is relatively hidden from view. Labeling this feature in a more obvious way would enhance user acceptance and training. For example, the “Page Functions” could be re-named “Page/Print Functions.” In addition, TIC recommends that the FASB permanently retain the feature for “Printer Friendly with Sources.”

(8) Notice to Constituents

Consider renaming the Notice to Constituents in a manner that will enhance its importance





to users as a must-read guide for using the Codification efficiently and effectively. TIC suggests a title such as Important Guidance for Users.

(9) Codification Updates

AICPA staff noted one instance of a new standard that was incorporated into the Codification without an accompanying Codification Update. Specifically, the Codification Update for FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, was not prepared until about 3 days after the final FSP was added. It is very important for updates to be issued at the same time that new content is added.

In addition, each update should have a short title to facilitate access to items of interest to users.

(10) Electronic and Print Access to the Codification

TIC encourages the Board to publish more information about what the “basic view” of Codification topics will include and the pricing for the enhanced version, including a list of added features. Users will need time to consider their options and place their orders prior to the effective date.

TIC is very supportive of the Board’s plan to publish the Codification in print and would encourage the Board to continue the print publication each year hereafter. TIC believes the print edition will be easier to use for some users and may help those who have difficulties using electronic search engines.

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,

Stephen Bodine, Chair
PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committee

