October 17, 2016

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Electronic Address: director@fasb.org

RE: File Reference No. 2016-290, Agenda Consultation

The Williams Companies, Inc. (Williams) appreciates the opportunity to provide feedback to the Financial Accounting Standards Board (Board) regarding financial reporting issues the Board should consider adding to their agenda. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas, and produces olefins.

We support the Board soliciting feedback from its constituents on this important agenda setting matter. We have comments on the issues as follows.

Chapter 1 – Intangible Assets (including Research and Development)

Though there is diversity in the accounting for intangible assets on a global basis, we do not see a strong need to add this topic to the Board’s agenda. We believe the current accounting for internally generated intangible assets is sufficient to capture intangible assets that are relevant to most entities’ financial statements, for example, capitalizing costs of developing internal-use software. While we understand in some industries intangible assets, particularly research and development costs, may be significant, we are concerned about the relevance and reliability of measurements to record amounts reflecting the potential future economic benefit from the intangible item. We are also concerned that any new guidance to record intangible assets that are most relevant to a limited number of industries could subject all entities to reporting assets that, while not completely immaterial, are not significant to assessing the prospects of those entities. If the Board were to add this project to its agenda and ultimately conclude internally generated intangible assets should be recognized in the balance sheet, we do not support measuring these assets at fair value, initially or on a recurring basis, absent impairment considerations. Fair value measurements require complex judgments without adding the subjectivity of an intangible asset. Application of such to intangible assets would be very complex and likely require the engagement of valuation firms, thus adding to the cost of compliance. Instead of recording internally generated intangible assets in the balance sheet, we would suggest incremental disclosure to provide additional information allowing users to potentially assess future prospects from the intangible item.
We believe the guidance regarding acquired intangible assets is generally sufficient and need not be reconsidered, except as follows. We do believe the Board’s efforts regarding accounting for identifiable intangible assets in a business combination and the two goodwill projects (subsequent accounting for goodwill by simplifying the impairment test and subsequent accounting for goodwill beyond any changes to the impairment test) should continue. Also, we are less concerned about the perceived inconsistent accounting between internally generated and purchased intangible assets, as purchased intangibles occur in transactions between two independent parties where relevant values are established in a market transaction.

Chapter 2 — Pensions and Other Postretirement Benefit Plans

We do not support adding this topic to the Board’s agenda. While we understand certain aspects of the current accounting for pensions and other postretirement benefit plans may not reflect current economic performance in the financial statements, we believe current accounting does reflect the long-term nature of the benefit obligation and the funding of that obligation. For example, the delayed recognition (smoothing) of gains and losses from changes in the value of either the projected benefit obligation or the plan assets somewhat mitigates volatility in the financial statements reflecting the long-term nature of the benefit obligation. However, we would suggest eliminating the corridor approach, and immediately commence amortizing into earnings all gains and losses deferred into other comprehensive income. Such an approach would serve to eliminate the potentially permanent nature of deferring certain amounts into other comprehensive income resulting from the corridor approach.

If the Board were to add this topic to their agenda, we believe fundamental issues should be addressed which are best suited to a comprehensive reconsideration of the accounting rather than making targeted improvements. Matters to be reconsidered might include; smoothing, discount rate for measuring benefit obligations and alignment of the expected long term rate of return on plan assets and the discount rate for measuring benefit obligations.

Chapter 3 — Distinguishing Liabilities from Equity

We believe the accounting for distinguishing liabilities from equity is a significant financial reporting issue the FASB should consider for improvement. While our experience and insight with these types of transactions and the related accounting guidance is limited, we have executed several transactions involving distinguishing liabilities from equity and found the guidance to be complex, quite nuanced and difficult to interpret. The current literature is generally rules based and we recognize this is necessary to some extent to avoid financial structuring of transactions to achieve a desired accounting result. However, a well thought out foundational underpinning as to what is equity may allow the literature to migrate towards a principles based approach being less prescriptive.

For simple instruments, we support Alternative B. While equity linked or indexed instruments create complexity under this alternative, we believe certain freestanding financial instruments that are not perpetual upon issuance can represent equity. ASC 480, “Distinguishing Liabilities from Equity” and ASC 815, “Derivatives and Hedging” provides accounting guidance for these types of instruments. ASC 480 can be complex in analyzing which financial instruments would be subject to this guidance and required to be accounted for as liabilities. The guidance in ASC 815 pertaining to classifying contracts involving an entity’s own equity is also complex. The two components of this guidance in ASC 815; the contract must be i) indexed to the reporting entity’s own stock (indexation literature) and ii) classified in stockholders’ equity (equity classification literature), are extremely complex. The equity classification literature is
especially rigid such that if there is any theoretical possibility that cash settlement could occur equity classification would be precluded. If the Board were to select Alternative B, simplifying the current literature under ASC 480 and ASC 815 through a less rigid and prescriptive approach would be helpful.

For complex instruments containing conversion options, we support Alternative B. Under either alternative, not having to analyze embedded conversion options under ASC 815 would be an improvement. We support bifurcating a conversion option only if the equity component of the convertible instrument is separately exercisable. In this situation, it appears the accounting would reflect the economics of the instrument.

Chapter 4 – Reporting Performance and Cash Flows

Income Statement

Given the foundational nature of the income statement coupled with stakeholder’s needs for more detailed information, we believe this is an area for consideration.

We believe a separation of operating from nonoperating would be informative to readers. In this regard, we would be supportive of an approach by the Board to describe rather than define operating activities. This approach would enable a more principles based development, but to be successful would also necessitate appropriate, detailed disclosure regarding how a company defines its components.

We are supportive of directing more detailed descriptions in footnotes and Management’s Discussion and Analysis in favor of prescribing more line items. These would provide more context to a reader, which is a necessary element to understanding the nature of operating and nonoperating results.

We are also supportive of addressing “infrequency of occurrence” through providing a range of factors in an effort to encourage utilization of this description within the footnotes or MD&A.

Segment Reporting

We believe segment reporting is a financial reporting issue the Board should address. In general, we believe the “management approach” model for segment reporting should remain in place, but certain items should be reconsidered. Driven by changes in information technology, the transparency of information available to the CODM allows that individual to view significantly more detailed information than what was available and contemplated when the segment guidance was issued. While useful in staying informed, the additional information may not necessarily reflect the business level at which the CODM assesses performance and allocates capital. Therefore, in applying the “management approach,” we believe the focus on identifying segments should reflect the business level that the CODM assesses performance and allocates capital rather than the business level for which information is available to the CODM. Solely based on information available to and reviewed by the CODM, most entities probably have numerous operating segments for which disclosure of segment information at this level would be unwieldy and actually misleading in reporting the business through the eyes of management.

The Invitation to Comment mentions users believe the aggregation criteria should be more rigorous. We believe aggregation keeps the number of reportable segments and information disclosed manageable and aggregation is necessary given the amount of information generally available by business franchise to the CODM.
We believe disclosure of certain, select performance and balance sheet information by segment beyond the information disclosed applying the "management approach" is beneficial to users and we would support such additional disclosures. Ideally, any such items would be information that is already available to the company.

Also, changes in segments may occur from time to time and recasting segment information is necessary for comparative purposes. We understand users are concerned about the possible loss of trend data when an entity recasts prior information, and while we believe recasting of information is the preferable approach, sufficient disclosure regarding the nature of and reasons for the change would be beneficial in this regard.

Other Comprehensive Income

We believe the accounting guidance around this topic is appropriate and need not be reconsidered. Allowing comprehensive income to be reported as either a single continuous statement or two separate but consecutive statements remains appropriate. The components required to be classified into other comprehensive income are appropriate and need not be revised. The components often result from complex circumstances that if reported in net income could mislead reporting of an entity's current period performance. Also, we believe reclassifying amounts to net income as certain events occur is appropriate and we would not support an approach where certain items recognized in other comprehensive income remain in equity without being reported in net income.

Statement of Cash Flows

We believe broad changes to the statement of cash flows is not warranted. The current three categories of cash flow activities and definitions remain appropriate. We do not support mandating the direct method for reporting operating activities, but rather continuing with the indirect method as an alternative. As concerns and issues arise with reporting cash flows, we support a targeted approach to resolving the issues, such as demonstrated by the recent deliberations of the EITF.

We appreciate the opportunity to comment on these matters and would be happy to provide any additional information you may require or discuss our comments further.

Sincerely,

Ted Timmermans
Vice President, Controller and Chief Accounting Officer
The Williams Companies, Inc.