Nov. 8, 2016

Submitted via email: director@fasb.org
Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2016-300

Dear Technical Director:

The Technical Issues Group (TIG) of the Missouri Society of CPAs (MSCPA) appreciates the opportunity to respond to certain matters in the Proposed Accounting Standards Update. The views expressed herein are written on behalf of the TIG of the MSCPA. The TIG has been authorized by the MSCPA Board of Directors to submit comments on matters of interest to the society’s membership. The views expressed in this letter have not been approved by the MSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the MSCPA.

We generally agree with the direction taken by the Financial Accounting Standards Board (Board). This Exposure Draft will provide the Board with an improved framework for developing financial reporting standards that summarize and communicate information on financial statements, enhances the relevance of information and helps ensure it is faithfully represented in a manner that best meets the objectives of financial reporting.

Thank you for considering our comments. We would be pleased to respond to any questions the Board or its staff may have about any of the following comments. Please direct any questions to Mark Winiarski, TIG Chairman, MWiniarski@CBIZ.com.

Sincerely,

Mark Winiarski, CPA
TIG Chairman

Robert Singer, CPA
TIG Member

Jeff Antrainer, CPA
TIG Member

Leigh Salzsieder, CPA
TIG Member
**Question 1:** Would the concepts for developing line items in this proposed chapter encompass the information appropriate for the Board to consider for developing financial statements that would assist resource providers in their decision making? Are there concepts that should be added or removed?

**Response:** We believe that the concepts for developing line items in this proposed chapter would significantly improve the framework the Board will use in developing standards that will improve the informational content of the financial statements and thus would assist resource providers in making informed decisions. To the extent that the Board has developed criteria for “simplifying, condensing, and aggregating data into meaningful line items, subtotals, and totals,” it has taken an important step in linking presentation of financial information to the broad purposes of the Conceptual Framework. The presentation of information that comprises the “elements” of the financial statements lie at the heart of providing resource providers with the means of assessing the entity’s ability to generate future cash flows, and to evaluate the representational faithfulness of the economic resources that will position the entity for future success. Identifying homogeneity of transactions, events, and changed circumstances culminating in specific line items on financial statements will facilitate the resource provider’s ability to better see the interrelationship between the asset and liability amounts comprising the statement of financial position and those elements comprising the statements of comprehensive income and cash flow. In this respect, we believe that this chapter makes a substantive contribution to meeting the objectives and qualitative characteristics of useful information concepts. In particular, paragraph 37, which outlines factors the entity might consider in identifying and segregating line items based on their homogeneity, will not only assist users in making more informed decisions, but also aid financial analysts in recasting financial statement data to improve forecasting efforts and thereby allow them to make more accurate recommendations.

Despite the improvements advanced in this exposure draft regarding presentation issues, further efforts have to be directed that would allow users to better identify core income, to better distinguish between operating and non-operating income components, and to improve classification of the income elements. Examples abound. On the statement of cash flows, interest paid and received are treated as operating cash flows. Restructuring charges are often classified on the statement of comprehensive income as part of continuing operations, thus making it difficult for users to distinguish recurring from non-recurring income. Gains and losses that do not meet both criteria for extraordinary but do not occur frequently are classified under other income (expense) and thus are treated as part of continuing operations. Aside from these issues, we concur with the Board’s recommendations regarding this chapter. We believe they will improve the Board’s framework for establishing standards; and therefore, will improve transparency and decision-making usefulness of the financial statements.
**Question 2:** The conceptual framework does not address whether specific characteristics of a single contract should be recognized, measured, and presented separately or grouped with other contracts. Similarly, the conceptual framework does not address whether specific characteristics of multiple contracts should be recognized, measured, or presented separately or combined with other contracts. Some Board members believe that the factors developed in paragraph PR37 could be potentially helpful in addressing these issues when considering changes to the definitions of the elements or recognition criteria. Could the Board use any of the factors in paragraph PR37 of this Exposure Draft to help make decisions about combining contracts or separating specific aspects of a single contract when recognizing, measuring, and presenting items?

**Response:** The financial statements of the entity including the accompanying notes are designed to address the varying information needs of a broad and diverse group of stakeholders. As such, they are regarded as general purpose financial statements. For these statements to convey value relevant information to resource providers in particular decision making contexts, the elements of the financial statements (e.g., assets, liabilities, revenues, expenses), will require precise definitions. Moreover, recognition criteria underlying the elements must be clearly specified. In consideration of defining the elements and determining appropriate recognition criteria, the transactions, events and circumstances giving rise to economic resources, claims against the resources, and changes in these elements (e.g., revenue and expense recognition, net capital inflow or outflow) will require a more deliberative, more comprehensive analysis than exists under current reporting standards, and this proposed chapter to the Conceptual Framework for Financial Reporting in part provides the Board with the framework to enhance financial reporting standards. As mentioned above, the ability to disaggregate existing sub-totals into homogenous line items and to classify the items in a manner that will provide resource providers with information from which to identify and differentiate recurring from non-recurring activities will enhance the predictive value of the information used to make decisions. In this regard, the seven factors included in paragraph 37 of the exposure draft will provide a means of analyzing characteristics of single as well as multiple contracts in a manner that will facilitate the development of homogeneous line items. Thus a methodical analysis of events (factor a) leading to the recognition of a line item, whether the event be a transaction, a change in circumstances or conditions may prove quite beneficial. Similarly, linking items with the activities giving rise to the items (factor c) or an analysis of the types of changes in economic conditions affecting cash flows related to existing assets/liabilities (factor f) in certain contexts would facilitate the development of homogenous groupings. We concur with the Board’s view that no one factor or factors be of greater or lesser importance than other factors, and the standards should not require any set protocol with respect to their application in particular circumstances. Therefore each entity will be afforded the flexibility to utilize any one factor or set of factors to achieve the desired homogeneity of line items.