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Technical Director
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Proposed Statement of Financial Accounting Concepts


The California Society of CPA’s (“CalCPA”) Accounting Principles and Assurance Services Committee (the “Committee”) is the senior technical committee of CalCPA. CalCPA has approximately 43,500 members. The Committee consists of 55 members, of whom 45 percent are from local or regional firms, 32 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 6 percent are in academia and 5 percent are in international firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many nonbusiness entities such as not-for-profits, pension plans and governmental organizations.

The Committee is pleased to present our responses to the following questions but wanted to provide two overall comments. The Board’s completion of its conceptual framework project has been a work in process for decades and ought to be completed to the extent the remaining topics to be covered in Concepts Statement No. 8 are deemed relevant to the Board’s standard setting process. Second, The Committee believes the Board should seek to address how proposed changes to the Accounting Standards Codification are based on relevant elements of the Concepts Statements. For example, the Committee noted Mr. Linsmeier’s dissent to the issuance of ASU 2014-15 Presentation of Financial Statements-Going Concern (Subtopic 205-40) was partially based on his interpretation of the Board’s proposed Concepts Statement, Conceptual Framework for Financial Reporting: Chapter 8: Notes to Financial Statements. The Concepts Statements establish the foundation for the ongoing development of accounting standards and the manner in which they are applied in the development of such standards should be clearly noted in the proposed standard’s background information and basis for conclusions.

**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?

The Committee believes the proposed concepts for developing line items are sufficiently comprehensive for the Board to utilize in its standards setting efforts.

**Question 2:** The conceptual framework does not address whether specific characteristics of a single contract should be recognized 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?

The Committee believes the proposed factors set forth in paragraph PR37 are sufficiently detailed to facilitate their application to the characteristics of both single and multiple contracts in developing future accounting standards. For example, the Committee notes the Board’s definition of a contract in ASU 2014-09 Revenue from Contracts with Customers (Topic 606) is based on common legal definitions of a contract in the United States supplemented by criteria that must be met before an entity can apply the revenue recognition model to that contract. The Committee believes the proposed factors set forth in paragraph PR37 can be applied in presenting the performance obligations arising under the new revenue recognition standard in financial statements.

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We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,

A.J. Major III  
Chair  
Accounting Principles and Assurance Services Committee  
California Society of Certified Public Accountants