November 14, 2016

Ms. Susan M. Cosper, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk CT 06856-5116

Via Email to director@fasb.org

Re: File Reference No. 2016-300

Dear Ms. Cosper:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Statement of Financial Accounting Concepts, Concepts Statement 8—Conceptual Framework for Financial Reporting: Chapter 7: Presentation (“proposed chapter”). We support the Board's focus on improving and revising the conceptual framework. We believe it is necessary for the Board to revise and develop the concepts statements in light of the changes in financial reporting practices and the standards that have been issued since the concepts statements were first issued.

We have two overall comments on the proposed chapter about the presentation of comprehensive income and net income (earnings) and the presentation of management discussion and analysis. In addition we have some editorial suggestions that are attached as an appendix to this letter.

**Presentation of comprehensive income and net income (earnings)**

We acknowledge that the proposed chapter states that the differences between net income and comprehensive income exist because of standards issued in the past that either require or permit certain types of items to be excluded from net income. We believe, however, that as part of this project, the Board should develop concepts that would be helpful to differentiate comprehensive income and net income. We believe that since the proposed chapter is clarifying presentation of financial statements, it should also develop the concepts for presentation of other comprehensive income, which is an area that has lacked a conceptual basis since the very first standard was issued that called for such presentation.

In addition we believe that the Board should consider revising—rather than superseding—the concepts in paragraphs 30 through 44 of Statement of Financial Accounting Concepts No. 5, Recognition and Measurement in Financial Statements of Business Enterprise, that underlie the presentation of the statement of earnings and comprehensive income, including the concept that explains relationship between earnings and comprehensive income.
Presentation of management discussion and analysis

We noted few instances in the proposed chapter where guidance refers to other means of financial reporting, such as management’s discussion and analysis. We do not necessarily disagree with such references but believe that the proposed chapter should clarify that such supplementary information is not required as part of a full set of financial statements. Further, we suggest clarification that the references in the concepts statements to supplementary schedules do not mean that such schedules should be provided as part of a full set of financial statements.

Our answers to questions for respondents follow.

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?

We agree that the concepts for developing financial statement line items in the proposed chapter include appropriate information that will help the Board in defining financial statement presentation requirements when developing the standards. We have suggestions as follows:

- Paragraph PR37(c): We understand that this criterion suggests that differences in predictive value could be a consideration in determining a financial statement line item. If the Board agrees with how we have interpreted this criterion, we believe the Board should clarify how this criterion is stated in the proposed chapter.

- Paragraph PR37(f): We believe that effects of macro-economic conditions may be more relevant for measurement of an item rather than the presentation as explained in paragraph PR48. Therefore we suggest that criterion (f) in paragraph PR37 should be merged with criterion (g).

- We believe that the Board should consider developing concepts on how line items in financial statements should be presented in various subtotals included in the financial statements, specifically the income statement.

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?
We believe that the determination of when different obligations/rights in a single contract should be separated and when multiple contracts should be combined to be accounted for as single set of obligations/rights is a recognition concept. Other aspects of accounting such as measurement, presentation and disclosures should follow once the recognition concept is well defined. The indicators listed in paragraph PR37 would be applicable for determining the presentation of items that are already recognized and measured for financial reporting purposes. On the other hand we believe applying these indicators to then determine which items should be recognized, how they should be recognized (that is, individually or collectively with other items) and how they should be measured may not be possible. We believe that the Board should consider the guidance in recently issued revenue recognition standard and leases standard which both include guidance in how to separate various components of a contract to develop concept regarding combining or separating specific aspects of contracts.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Rahul Gupta, Partner, (312) 602-8084, rahul.gupta@us.gt.com or Mark Scoles, Partner, (312) 602 8780, mark.scoles@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP
Appendix

Editorial Suggestions

**Paragraph PR36**
We believe that the words “as nearly homogenous as possible” defines a high threshold and therefore suggest the language be modified as follows.

Subtotals represent broad classes of often heterogeneous items. In contrast, line items can reflect more homogeneous classes of items and usually are more useful to resource providers in faithfully representing the differences in effects of transactions, events, or circumstances. Therefore, creating line items that include classes of items that are as nearly homogeneous as possible is a critical aspect of presentation. Homogeneity enhances the ability to faithfully represent a line item.

**Paragraph PR18**
We believe that the estimated amounts may not in all circumstances meet the probable threshold and therefore suggest the language be modified as follows.

b. Estimate the probable amounts and timing of future flows of cash or other economic value to the resource provider and make assessments of the probability (uncertainty) of occurrence.