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Sent Via Email to: director@fasb.org

Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Chapter 8: Notes to Financial Statements
File Reference No. 2014-200

Dear Ms. Cosper:

The Accounting and Auditing Standards Interest Group of the New Jersey Society of Certified Public Accountants (NJSCPA) is pleased to offer its comments on the above referenced proposed standard. The NJSCPA represents over 15,000 certified public accountants and prospective CPA’s. The comments herein represent those of some of the individuals of our Accounting and Auditing Standards Interest Group only and do not necessarily reflect the views of all members of the NJSCPA.

We appreciate the opportunity to comment on the Financial Accounting Standards Board’s (Board) effort to develop a disclosure framework that would be used as a basis for establishing disclosure requirements in the future as well as evaluating existing disclosure requirements. We commend the Board for taking on this project. We recognize how difficult it is to determine the appropriate level of disclosures needed to satisfy the needs of users of financial statements while not overwhelming preparers. We hope the completed framework will help the Board achieve a proper balance between the two.

In general, we support the overall direction of the Board in this project. However, we have some comments on certain aspects of the above referenced proposed statement as noted in our responses to the questions.

**Question 1:** Should financial statements of employee benefit plans be excluded from the scope of this chapter of the conceptual framework?

We agree that employee benefit plans should be excluded from the scope of this chapter. We agree with the Board's assessment stated in paragraph D11 that an employee benefit plan’s financial statements and their users are sufficiently different from other entities to warrant potentially different considerations in reporting.
Question 2: Do the concepts in this chapter related to not-for-profit entities address the informational needs of resource providers to those entities?

We believe that the concepts in this chapter related to not-for-profit entities will address the informational needs of resource providers to those entities. However, we suggest that the Board consider whether any of its decisions on the project on financial statements for not-for-profit entities will have an effect on the concepts in this chapter.

Question 3: Do the concepts in this chapter encompass the information appropriate for disclosure in notes to financial statements that would assist resource providers in their decision making? Are there concepts that should be added or removed?

Generally, we agree that the concepts in this chapter encompass the information appropriate for disclosure in notes to financial statements that would assist resource providers in their decision making. However, we think that a few of the current conditions and concepts listed in paragraphs D57 and D58 are too broad and could potentially encompass any and every uncertainty an entity could face. We believe that significance and relevance should be emphasized in evaluating whether disclosure is warranted.

An additional concept that should be considered in the framework is in regard to non-public entities. Paragraph BC 17 of the proposed framework discusses private company considerations. It states that the private company framework is applied after the Board has established the general applicability of disclosure requirements to all entities. We believe that the proposed framework should take into consideration the specific needs of private companies, as it did for not-for-profit entities in paragraphs D8 through D10. We think this approach would allow for earlier identification of reporting requirements and disclosure exceptions for private companies. For example, pro forma information and fair value disclosures, which are mentioned in Appendix A to the Proposed Concept, may be difficult and costly for private companies to determine while providing limited benefits to users of private company financial statements.

Question 4: Are there additional concepts needed to identify information that is unsuitable for requirement by the Board in notes to financial statements even though that information would be consistent with the purpose of the notes?

In general, we believe that the concepts and limitations described in this chapter are a fair representation of the scope and limitation of information that should be considered for disclosure within the financial statements. However, we believe that further constraints should be recognized regarding disclosure of future-oriented information. We agree with the general limitations addressed in paragraph D28, but we do not believe that these limitations address other important considerations that could lead to significant negative consequences to issuers of financial statements. We would suggest that restrictions on future-oriented information be further expanded to specifically address and scope out business information relating to proprietary information, competitive advantages, competitive disadvantages or other information that an entity may be legally restricted from publicly providing.
**Question 5:** Do the decision questions in Appendix A identify the information appropriate for the Board to consider requiring for disclosure when setting standards related to line items and other past events and current circumstances and conditions that can assist resource providers in their decision making?

Generally, we agree with the decision questions in Appendix A. However, we believe that the following questions may be overreaching and may result in unintended disclosure requirements.

**Question L8 Could the quality or utility of a nonfinancial asset have changed?** We agree that a change in economic value that could result in a significant impairment or an economic condition that could restrict the use of an asset should be considered for disclosure. However, we do not believe that a disclosure should be required strictly based on the correlation between a productive asset’s carrying value and its market value. Paragraphs D5 and D6 cite that resource providers make decisions based on expectations about returns from investments, loans or other forms of credit, which ultimately depend directly or indirectly on “an assessment of prospects for net cash inflows to the reporting entity” as indicated in paragraph D8a. However, we believe the intent for and use of that asset should also be considered in determining the disclosure. If an entity is not actively pursuing a cash flow from the change in market value of an asset, disclosing the change in market value of that asset could be misleading to a user of the financial statement. For example, an increase in market value in a manufacturing building would not be useful as an indicator of the cash flows to be derived from that asset’s on-going manufacturing operations. We do also acknowledge that in other instances an increase in market value may be indicative of the intent and use of an asset and would therefore be useful to the user of the financial statement, such as in rental real estate assets. We ask the Board to provide further clarification within this decision question as to when an increase in market value could be useful based on the intent and use of a particular class of assets.

**Question L12 Will this line item be affected in future years by transition to an accounting standard that has been issued but is not yet effective or not fully effective?** We agree that a disclosure about an accounting standard that has been issued but is not yet effective or not fully effective should be necessary to alert the user that a transition to a new accounting standard is approaching. However, we believe there could be significant limitations that should be recognized as they pertain to the suggested disclosure of providing a pro forma effect on current-year financial statements. These limitations would affect both the user and preparer of the financial statement. In order to provide a pro forma effect of a future standard the entity would need to accelerate its assessment and implementation of a standard that is currently not in effect which could have significantly different results than the current standards, creating a substantial cost and compliance burden to that entity. From a user’s perspective a pro forma of a future accounting standard’s financial statement effect could overshadow the entity’s current performance and obligations, which could render the overall financial information less useful to the user.

**Question L15 Is there an alternative measure or way of applying a measurement that clearly would be useful in assessing prospects for cash flows?** When an accounting option exists under U.S. GAAP, we agree that the option used within the financial statement should be readily disclosed. However, we are concerned with the Board’s suggestion that an indication of the magnitude of the difference between alternative measurements should be considered for disclosure. Gathering the information for such a disclosure could be extremely burdensome for
some entities to obtain, especially as it relates to inventory and fair value information. In some cases, an entity might need to maintain dual accounting systems to gather the necessary information to calculate the magnitude of the difference between alternative measurements. That process could substantially increase the cost and complexity to prepare an entity's financial statements.

**Question O1** Can any of the following events or conditions create a possibility that a user's assessment of an entity’s cash flows would be significantly different (lower or higher)? Generally we agree with the events or conditions listed. However, we believe the last item "other uncertain conditions?" should be revised to state “other significant uncertain conditions” to avoid requiring disclosures that may not be significant or useful to users of the financial statements.

**Question 6:** Does the discussion in paragraphs D43–D50 identify the information appropriate for the Board to consider when setting standards related to information about the reporting entity?

We agree that the discussion in paragraphs D43 through D50 identifies the information that could be appropriate for the Board to consider.

**Question 7:** Will the concepts related to future-oriented information (paragraphs D22–D31) result in disclosures that are appropriate for the notes? If not, what types of information should be included in or excluded from consideration for disclosure in the notes?

We believe the concepts related to future-oriented information as discussed in paragraphs D22 through D31 will generally result in disclosures that are appropriate for the notes. However, disclosures about uncertainties as discussed in Question 3 above and competitive business information as discussed in Question 4 above should also be taken into consideration when determining the extent of future oriented information that should be disclosed within the financial statement. We believe that management's assessment of future uncertainties should only be included if they represent a significant risk to the entity's ongoing operations.

**Question 8:** Do the concepts in this chapter appropriately distinguish the types of information that are appropriate for the notes from the analysis management provides in other communications?

We agree sufficient distinction is provided within the concepts of this chapter.

**Question 9:** Are the concepts related to disclosure requirements for interim periods (paragraphs D60–D71) appropriate? If not, are there concepts that should be added or removed?

We agree the concepts related to disclosure requirements for interim periods are appropriate.

**Question 10:** If no disclosure guidance for a transaction, event, or line item is specified in U.S. GAAP, how will an entity consider the nonauthoritative guidance in this chapter?

We believe that an entity would probably consider the broad concepts presented in the chapter and the decision questions in Appendix A as a guide for assessing what, if any, information should be
disclosed for a transaction, event or line item whose disclosure guidance is not specified in U.S. GAAP.

**Additional Considerations:**
We would also request the Board to consider the interaction of the proposed concept with the ongoing activities of the Board to ensure consistency in methodology and application of existing and future disclosure requirements. Specifically, we ask the Board to consider what the disclosure requirements of recently issued standards would have been had the proposed concepts been adopted and applied to those standards compared to the disclosure requirements actually issued to determine if the proposed concepts are consistent with that of recent decision making.

Thank you for the opportunity to comment. We are available to discuss our comments at your convenience.

Respectfully submitted,

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