June 5, 2017

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Electronically submitted to director@fasb.org

File Reference No. 2017-220

Re: Proposed Accounting Standards Update: Improvements to Nonemployee Share-Based Payment Accounting (Topic 718 Compensation – Stock Compensation)

Dear Ms. Cosper:

The Accounting Principles and Auditing Standards Committee (the "Committee") of the Florida Institute of Certified Public Accountants ("FICPA") respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced proposed accounting standards update issued by the Financial Accounting Standards Board ("FASB" or "Board"). The FICPA has more than 20,000 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 20 members, of whom 50% are from local or regional firms, 22% are from large multi-office firms, 17% are sole practitioners, and 11% are in international firms. The Committee underwent significant discussion and has the following general comments related to the questions posed by the FASB:

The Committee continues to appreciate the Board’s continued efforts to pursue the Simplification Initiative and its objective to reduce cost and complexity in financial reporting while maintaining or improving the quality of information reported to investors.

Similarly, we do agree that accounting standards updates similar to the one proposed here would further align the measurement and recognition models for both employee and nonemployee share-based compensation accounting. However, upon discussion of the changes proposed in this accounting standards update, the Committee was not certain that the changes would achieve the Board’s intended goal of reduced cost and complexity as follows:

- Under the current model under ASC 505-50-30-6 for determining the fair value of nonemployee awards, the Company is expected to utilize the more readily determinable fair value of a share-based transaction between a) the fair value of the goods or services and b) the fair value of the equity instrument. We believe that removing consideration of the fair value of the goods and services and requiring a company to determine the fair value of the equity instrument could require potentially burdensome cost and complexity
to smaller public companies and non-public entities (likely with limited to no observable inputs and limited history in the case of a start-up company that frequently utilizes nonemployee based compensation).

- Under the current model under ASC 505-50 for the measurement of nonemployee awards with performance conditions, the equity instruments shall be measured at their ‘then-current lowest aggregate fair value.’ This frequently results in measurement of the nonemployee awards at a value of zero along with sufficient disclosure of the awards and future recognition of the awards upon recognition of the performance condition. We believe that requiring a company to determine the fair value of the equity instrument could require potentially burdensome cost and complexity to smaller public companies and non-public entities (likely with limited to no observable inputs and limited history in the case of a start-up company that frequently utilizes nonemployee based compensation).

- Under the current model under ASC 505-50-30-11 through ASC 505-50-30-17 for determining the measurement date for nonemployee awards, the guidance requires that performance of the commitment is probable and includes specific considerations relating to nonperformance risk. The Committee believes that nonperformance risk of nonemployees is a relevant consideration for determining the recognition and measurement of equity instruments issued given the external nonemployee relationship rather than employer-employee relationship. We believe that replacing this with the grant date conditions of ASC 718 along with the previously discussed requirement to then measure the fair value of the equity instrument at that grant date could require potentially burdensome cost and complexity to smaller public companies and non-public entities (likely with limited to no observable inputs and limited history in the case of a start-up company that frequently utilizes nonemployee based compensation).

In general, we understand and agree with the Board’s focus on equity compensation to both employees and nonemployees given the unique nature of awards and frequency of use in the market. However, we believe that it is common practice in both the public entity and non-public entity markets for stakeholders and investors to exclude equity compensation expense from key monitoring metrics and place limited focus on equity compensation financial statement footnote disclosures which are often quite voluminous. Therefore, a recurring theme discussed by the Committee and expressed by our constituents is the importance of ensuring that any current or future accounting standards updates are achieving tangible reductions in cost and complexity to the financial statement preparer while maintaining relevant reporting to the investor (and were contemplated as part of the responses above).
The Committee appreciates the opportunity to respond to the Proposed Accounting Standards Update. Members of the Committee are available to discuss any questions you may have regarding this communication.

Respectfully submitted,

Edward K. Cranford, CPA
Chair, FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:
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