June 5, 2017

**SENT VIA EMAIL**

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

File Reference: No. 2017-220, Proposed Accounting Standards Update, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*

Dear Ms. Cosper:

Moss Adams LLP appreciates the opportunity to comment on the proposed Accounting Standards Update, *Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting* (the “proposed ASU”).

Moss Adams LLP is the largest accounting and consulting firm headquartered in the Western United States, with a staff of over 2,600, including more than 275 partners. Founded in 1913, the firm serves public and private middle-market businesses, not-for-profit, and governmental organizations across the nation through specialized industry and service teams.

We support the Board’s simplification initiatives with respect to the application of U.S. GAAP, and more specifically to the proposed ASU, the expansion of Topic 718, *Compensation – Stock Compensation* to include share-based payments to nonemployees. We believe the proposed amendments will help achieve the Board’s objective of maintaining or improving the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting.

In particular, we are in favor of the proposed option to recognize the effect of forfeitures of nonemployee share-based payment awards in compensation cost when the forfeitures occur. In our experience, many nonpublic entities do not have sufficient historical information or processes in place to develop meaningful estimates of forfeitures. Accordingly, we support the proposed ASU’s provision of an entity-wide accounting policy election to either estimate the number of forfeitures expected to occur or recognize the effect of forfeitures when they occur.

There is one aspect of the proposed ASU we believe warrants further consideration by the Board. The proposed ASU requires an entity to recognize compensation cost for each separately vesting portion of a nonemployee share-based payment award with a graded vesting schedule as if the award was, in substance, multiple awards. We believe such a requirement, in many cases, would necessitate
companies to incur additional effort and cost that may outweigh the potential benefits. We believe the option provided in ASC 718-10-35-8 for an employee share-based payment award with service conditions that has a graded vesting schedule to recognize compensation cost on a straight-line basis for the entire award should be made available to a nonemployee share-based payment award. We believe this would further align the accounting for employee and nonemployee awards and would reduce the cost and complexity in financial reporting without significant impact to the usefulness of information provided to the users of financial statements.

We appreciate the opportunity to provide feedback and we hope that you find our comments meaningful. If you would like to discuss our comments or have any questions, please contact Fred Frank, Partner, at 206-302-6800 or by email at fred.frank@mossadams.com.

Yours truly,

Moss Adams LLP