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2013-240
Comment Letter No. 1

Ms. Susan M. Cospers
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Proposed Accounting Standards Update, Technical Corrections and Improvements Related to Glossary Terms (File Reference No. 2013-240)

Dear Ms. Cospers:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update (ASU), *Technical Corrections and Improvements Related to Glossary Terms*. We support the Financial Accounting Standards Board (FASB) project to address feedback received from stakeholders on the Codification and to facilitate updates for technical corrections and clarifications. In certain instances, we agree that the changes to glossary terms proposed in this ASU represent minor changes to remove unnecessary terms, clarify terms or provide links to appropriate guidance and that such changes would not significantly affect current accounting practice and would not significantly increase administrative costs for most entities.

However, we have identified certain proposed changes to glossary terms that, if adopted, could have more significant effects on existing practice, may have unintended consequences and/or may be unclear to stakeholders. These terms and our comments are included in Appendix A.

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We would be pleased to discuss our comments with Board members or the FASB staff at your convenience.

Very truly yours,

General

Glossary term	Comment
Various	We observed that the proposed amendments to the Codification included marked changes to the Master Glossary but not the applicable Subtopic glossaries. For example, paragraph 247 of the exposure draft amends the definition of "Net Realizable Value" in the Master Glossary but does not make corresponding changes to paragraph 330-10-20 in the Codification. We suggest that any amendments made to the Master Glossary also should be reflected in all applicable Subtopic glossaries.

Section A

Glossary term	Comment
Joint venturers	The term is used parenthetically in both the definitions of corporate joint venture and joint venture. We believe it may be helpful to define this term as "A party to a joint venture that has joint control of that joint venture," which we inferred from the definitions of joint venture and corporate joint venture, instead of deleting it, because the term is used frequently in practice to refer to any two parties who agree to undertake a venture together (regardless of whether there is a legal entity and/or joint control). We also believe consideration should be given to whether the term "corporate joint venture" could be deleted and replaced with "joint venture" throughout the Codification.
Lease and well equipment	We note this term is commonly used in the oil and gas industry and is part of the existing Master Glossary definition of "wells and related equipment and facilities." We recommend retention of this term to aid in application of the literature in practice.

Section B

Glossary term	Comment
Cash equivalents	We believe consideration also should be given to linking the term to paragraphs 320-10-45-12, 715-20-50-1.d.5.ii or 715-20-50-5.c.5.ii.
Direct guarantee of indebtedness	We believe consideration should be given to linking the definition of indirect guarantee of indebtedness to the definition of direct guarantee of indebtedness. We also suggest rewording as follows: "In contrast, with a direct guarantee of indebtedness the creditor has a direct claim on the guarantor, if the debtor defaults."
Natural expense classification	This term is also used in ASC 985-205, <i>Not-for-Profit Entities—Presentation of Financial Statements</i> (958-205-45-6). We suggest that a link to the glossary term be added to this Subtopic.

Section C

Glossary term	Comment
Actual return on plan assets (component of net periodic pension cost) (definition 1)	The proposed change could result in a change in practice for pension plans. The proposed definition, which originates from ASC 715-60, includes specific requirements for accounting for expenses incurred by an other postretirement benefit plan. These requirements do not currently exist for pension plans, so pension plan sponsors may be recording non-benefit payment expenses (e.g., actuarial and audit fees, PGBC premiums) as incurred on the income statement (as a component of service cost). We suggest either leaving separate definitions of "actual return on plan assets" for pension plans and for other postretirement benefit plans or including transition provisions for plan sponsors that previously recorded non-benefit-related expenses when incurred.
Actual return on plan assets (component of net periodic pension cost) (definition 1), actual return on plan assets (component of net periodic postretirement benefit cost) (definition 2), benefits (definition 2), defined benefit pension plan (definition 2), expected long-term rate of return on plan assets (definition 2), expected return on plan assets (definition 2), gain or loss (definition 2), plan amendment (definition 1), service cost (component of net periodic pension cost) (definition 1)	It appears that the links for these glossary terms may need to be updated at ASC 715-30-75.
Assumptions (definition 1)	We suggest that the proposed definition begin with the following: "Estimates of the occurrence of future events affecting pension costs or other postretirement benefit costs (<i>as applicable</i>), such as turnover..."

Glossary term	Comment
Benefit formula (definitions 1 and 2)	<p>We believe some potential consequences of changing these definitions include:</p> <ul style="list-style-type: none"> ▶ The proposed definition excludes pension benefits. It focuses only on the service component of the formula, which is specific to other postretirement benefit formulas as those formulas generally do not relate to a plan participant's compensation level. However, many pension benefit formulas include a compensation component. To broaden the proposed definition to include pension benefits, we suggest adding that pension benefit formulas usually refer to the employee's service or compensation or both. ▶ We believe the proposed definition could result in an unintended change in practice. The proposed definition states that the plan's benefit formula also may define the beginning of the credited service period. "Credited service period" is a defined term under ASC 715-60, but there is no similar definition in ASC 715-30. Accordingly, the proposed definition "benefit formula" cannot be applied to pension benefits without a definition of "credited service period." However, adding this definition to ASC 715-30 could change how some pension plan sponsors determine active and inactive participants. For example, pension plan sponsors may consider a participant to be "inactive" even though the participant is still employed, whereas under ASC 715-60 a participant is considered "active" as long as the participant is still an employee and has provided service during the "credited service period." To resolve this concern, we believe that the FASB should maintain separate definitions for "pension benefit formula" and "other postretirement benefit formula" in the Master Glossary.
Pension benefit formula/ plan's benefit formula	<p>In Paragraphs 91-93, the new links should be added only to "benefit formula" and not to the entire phrase "plan's benefit formula" because that glossary term would no longer exist.</p>
Contributory plan (definition 2)	<p>We suggest including the words "applicable to other postretirement benefits" after the word "retirees" in the proposed definition.</p>
Defined benefit pension plan (definition 1)	<p>We believe the proposed definition may confuse preparers of benefit plan financial statements because "defined benefit postretirement plan" is a subset of "defined benefit health and welfare plans." Preparers following a link to this definition from ASC 965 may not understand that the definition of defined benefit postretirement plan is not applicable. To resolve this potential confusion, we suggest clarifying the applicability of these two proposed definitions: defined benefit health and welfare plans (ASC 965) and defined benefit postretirement benefit plan (ASC 715-60).</p>

Glossary term	Comment
Defined contribution health and welfare plans	We believe the proposed definition may confuse preparers of benefit plan financial statements because “defined contribution postretirement plan” is a subset of “defined contribution health and welfare plans.” Preparers following a link to this definition from ASC 965 may not understand that the definition of defined contribution postretirement plan is not applicable. To resolve the potential confusion, we suggest clarifying the applicability of these two proposed definitions: defined contribution health and welfare plans (ASC 965) and defined contribution postretirement benefit plan (ASC 715-70).
Exchange (definition 2)	The proposed ASU would delink definition 2 in ASC 978-605 from the Master Glossary; however, definition 2 would remain in the sub glossary in ASC 978-605-20. We suggest removing the definition from the Subtopic glossary and incorporating the definition in ASC 978-605-25-3, 30-6 and 55-16 as done in ASC 978-20-05-6.
Fair value (definition 1)	<p>We do not believe this change should be made because:</p> <ul style="list-style-type: none"> ▶ The FASB’s intent was for the measurement to represent fair value. Using a different term could imply that this is not a fair value-based measurement. <ul style="list-style-type: none"> ▶ For example, the measurement of a public company’s restricted share grant that vests based on the satisfaction of either a service or performance condition is the fair value of the company’s shares, as quoted in an open market. ▶ The exceptions to fair value measurement based on ASC 820 are primarily limited to awards with service or performance vesting conditions and reload and contingent features. ▶ Changing the terminology is awkward and might be hard for users to understand. ▶ We have not encountered significant practice issues in the use of the term “fair value” in this standard. ▶ Changing this term would affect other related literature (e.g., SEC literature, auditing literature). ▶ We believe that this change could have unintended consequences, including: <ul style="list-style-type: none"> ▶ Preparers would incur costs to update financial statement footnotes, process documents and take other steps to incorporate a new term. ▶ The proposed changes could indicate that the fair value of shares that originated in share-based payment arrangements differs from the fair value of other shares (e.g., if share-based payment

Glossary term	Comment
	<p>value is used in the discussion related to when an employee has the right to put outstanding shares, rather than fair value).</p> <p>In addition, ASU 2012-04 modified paragraph 820-10-15-2 to clarify that ASC 718-40 is within the scope of ASC 820, although the other Subtopics in ASC 718 are excluded from its scope. However, the exposure draft indicates that the new term “share-based payment value” would apply to ASC 718-40, which would appear to indicate that ASC 718-40 would no longer be in the scope of ASC 820. If the FASB intends to exclude ASC 718-40 from the scope of ASC 820, we suggest making a conforming edit to paragraph 820-10-15-2.</p>
<p>Net realizable value (definition 1)</p>	<p>The term “net realizable value” is used in many other ASC sections but is not linked to a definition in the Master Glossary. We suggest that you consider linking the term “net realizable value” to the amended Master Glossary term in cases where the term is not separately defined (e.g., capitalized software).</p>
<p>Participant (definition 2), service (definition 2), sponsor (definition 3), vested benefits (definition 2)</p>	<p>We believe these definitions should include the phrase “other postretirement benefits,” similar to what is being proposed for other terms (e.g., noncontributory value, attribution).</p>
<p>Plan assets (definition 1)</p>	<p>The definition in ASC 715-60 provides more specific requirements for the accounting for income taxes, other expenses and nonbenefit liabilities than the definition in ASC 715-30. This could require a change in practice for pension plan sponsors that have not applied the more specific requirements.</p>
<p>Repurchase agreement (definitions 1 and 2)</p>	<p>We believe the second definition of a “repurchase agreement” included in the Master Glossary is unnecessary and the suggested conforming revisions to the guidance in ASC 210-20 (specifically ASC 210-20-45-11f and 210-20-50-1c) could be confusing. Therefore, we believe the second definition in the Master Glossary and conforming changes to ASC 210-20 should be deleted and replaced with only the following revised ASC 210-20-05-3 guidance: “This Subtopic addresses offsetting of certain repurchase agreements and reverse repurchase agreements accounted for as collateralized borrowings and lending transactions, respectively.” We agree with the proposed changes to ASC 940-320-05-3 and ASC 940-405-45-1.</p>

Glossary term	Comment
Service cost (component of net periodic postretirement benefit cost) (definition 2)	We believe that the proposed addition of the phrase “the portion of the projected benefit obligation...attributed to service in the period” is not technically accurate. Service cost for an other postretirement plan is calculated based on the expected postretirement benefit obligation, which includes service already earned and service that is expected to be earned in the future. The projected benefit obligation is not attributed the same way for a pension plan. Instead, attribution of the pension benefits according to the benefit formula is performed first to determine the service cost and resulting projected benefit obligation.
Terminating plan (definitions 1 and 2)	This definition should be updated to be consistent with ASU 2013-07, which amended the Codification to address when liquidation of a plan is deemed imminent. As a result of the new guidance, it appears that the definition of “terminating plans” is no longer based on the decision to terminate a plan.

Section D

No comments