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February 2, 2016

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

RE: Proposed Accounting Standards Update, *Disclosures by Business Entities about Government Assistance* (File Reference No. 2015-340)

Dear Technical Director:

We appreciate the opportunity to comment on the FASB's proposed ASU, *Disclosures by Business Entities about Government Assistance*. While we support the Board's efforts to increase transparency about government assistance that business entities negotiate, we believe that the proposed disclosures may not achieve the Board's objectives or result in relevant disclosure in many cases.

Many entities across a wide range of industries routinely negotiate with domestic and foreign governments for assistance. Those negotiations sometimes result in an individually significant agreement, but more often result in many individually insignificant agreements that, when aggregated, could be material in the context of the financial statements taken as a whole. We believe that applying the proposed disclosure requirements to multiple individually insignificant agreements would not achieve the Board's objectives to increase transparency due to either (a) excessive disclosure about individually immaterial items that overwhelms and obscures useful information about individually material arrangements or (b) disclosures about items that are inconsistently aggregated and, therefore, fail to meaningfully meet many of the agreement-level disclosure requirements in the proposals. We suggest that the Board:

1. Amend the scope of the proposals to focus on disclosures about the most common major classes of legally enforceable agreements with governments (e.g., tax abatements, government grants, loans, guarantees, and leases);
2. Require (a) agreement-level disclosure for only those arrangements that are individually material (as defined by ASC Topic 235, *Notes to Financial Statements*) and (b) aggregated disclosures by major class about the nature of the assistance, related accounting policies, and general information about the terms (including ranges of remaining duration, contingencies, and claw back provisions); and

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3. Refer to the significant concentration disclosures under ASC Topic 275, *Risks and Uncertainties*, when an entity has a significant concentration of arrangements with an individual government.

We believe our suggested changes would improve consistency of application by financial statement preparers thereby resulting in more relevant disclosures.

* * * * *

We look forward to working with the Board as it continues to improve the effectiveness of disclosures about government assistance. Our responses to the Board's specific questions in the proposed ASU are included in the Appendix.

If you have questions about our comments or wish to discuss the matters addressed herein, please contact Kimber Bascom at (212) 909-5664 or kbacom@kpmg.com, or Angela Storm at (212) 909-5488 or astorm@kpmg.com.

Sincerely,


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Appendix I – Responses to the Board’s Questions

Question 1

Do you agree that the scope of the amendments in this proposed Update should be limited to legally enforceable agreements in which an entity or entities receive value from a government? Do you also agree that the scope of the proposed amendments should not apply to transactions in which the government is (a) legally required to provide a nondiscretionary level of assistance to an entity simply because the entity meets applicable eligibility requirements that are broadly available without specific agreement between the entity and the government or (b) solely a customer? If not, what other types of arrangements should be included in or excluded from the scope of the amendments in this proposed Update? Explain why.

Yes, we agree that the scope of the amendments should be limited to legally enforceable agreements. However, we believe limiting the scope to those agreements in which the entity receives *value* would complicate the proposals’ application because many agreements have no comparable market transactions that were entered into at arm’s length. Consequently, it often will be difficult for an entity to (a) determine whether it received value for purposes of concluding on whether an agreement is within the scope of the proposals or (b) quantify that value for purposes of the disclosures in paragraph 832-10-50-3(d). For example, we believe it may be difficult to evaluate scope and provide the related disclosures when:

- A real estate developer executes a ground lease with the government for its land when there is no similar land or market for that land;
- A retailer negotiates infrastructure development (e.g., a highway exit ramp) with the government with no other direct benefit;
- A utility negotiates the right to build a power plant with a local government in exchange for building a fire house; and
- A utility negotiates and receives disaster relief funds from a government agency with the possibility of having to repay those funds if costs are recovered from customers.

To ease the operational burden of applying the guidance and ensure more relevant disclosure, we believe the scope should include all negotiated transactions with governments (other than those identified in Question 1(a) and 1(b)) and the unit of disclosure should be raised (see our response to Question 5).

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We also agree that the scope of the amendments should not apply to the transactions identified in Question 1(a) and 1(b). However, we believe that determining when discretion exists may require judgment. Providing additional examples of transactions that the Board believes fall under 832-10-15-4(a) would increase consistency of application. For example, the government (and government agencies) routinely grant loans and guarantees within broadly available programs for financial institutions; however, the government may exercise some level of discretion in determining the rates charged to the institutions (e.g., for access to the Federal Reserve's discount window) or whether to provide guarantees (e.g., as a conduit for banks in good standing under the VA and SBA loan programs). There may also be some government discretion in allocating tax credits under other widely available programs, like the New Markets Tax Credit program. We believe the Board should provide additional examples, like these, to clarify how much discretion could exist in an arrangement before an entity is inside the scope of the proposals.

Question 2:

Do you agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance? If not, please explain why and what proposed disclosure requirements you believe should differ. Are there any unique types of foreign assistance that should be considered? If so, explain why and be specific about any unique types of foreign assistance.

Yes, we agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance.

Question 3:

Do you agree that the scope of the proposed amendments should not exclude government assistance agreements that are within the scope of Topic 740, Income Taxes? If not, explain why.

Yes, we agree that the scope of the proposed amendments should include government assistance agreements that are within the scope of ASC Topic 740, *Income Taxes*.

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Question 4:

Do you agree that the scope of the proposed amendments should exclude NFP entities? Alternatively, should any proposed disclosure requirement(s) be applied by NFP entities? If so, specify which proposed disclosure requirement(s) and explain why.

Yes, we agree that the scope of the proposed amendments should exclude NFP entities.

Question 5:

Are the proposed scope and disclosure requirements operable and auditable? Do your existing information sets and systems, internal controls, and so forth capture the information required to be disclosed by the proposed amendments? If not, which aspects of the scope or disclosures pose operability, auditability, and/or cost issues and why?

Many entities across a wide range of industries routinely negotiate with domestic and foreign governments for assistance. Those negotiations sometimes result in an individually significant agreement, but more often result in many individually insignificant agreements that, when aggregated, could be material in the context of the financial statements taken as a whole. We believe that applying the proposed disclosure requirements to multiple individually insignificant agreements would not achieve the Board's objectives to increase transparency due to either (a) excessive disclosure about individually immaterial items that overwhelms and obscures useful information about individually material arrangements or (b) disclosures about items that are inconsistently aggregated and, therefore, fail to meaningfully meet many of the agreement-level disclosure requirements in the proposals. We suggest that the Board:

1. Amend the scope of the proposals to focus on disclosures about the most common major classes of legally enforceable agreements with governments (e.g., tax abatements, government grants, loans, guarantees, and leases);
2. Require (a) agreement-level disclosure for only those arrangements that are individually material (as defined by ASC Topic 235) and (b) aggregated disclosures by major class about the nature of the assistance, related accounting policies, and general information about the terms (including ranges of remaining duration, contingencies, and claw back provisions); and
3. Refer to the significant concentration disclosures under ASC Topic 275 when an entity has a significant concentration of arrangements with an individual government.

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While we have suggested several major classes of government assistance that we believe should be in the scope of the proposals, we suggest that the Board perform further outreach with preparers and users to identify the most common major classes of government assistance.

Question 6:

Do you agree that an entity should be required to disclose, unless impracticable, the amount of government assistance received but not recognized directly in any financial statement line item? If not, explain why.

No. For the same reasons articulated in the Alternative View of the proposed ASU, we do not believe that an entity should be required to disclose the amount of government assistance received but not recognized directly in the financial statements, even for individually material agreements (see our response to Question 5 for our suggested changes to the unit of disclosure). We concur with Mr. Golden that the cost and complexity to comply with that disclosure do not justify the benefits. We further believe that this disclosure may not be reliable information for users of financial statements because many government assistance agreements have no comparable market transactions that were entered into at arm's length.

Question 10:

Do you agree that the amendments in this proposed Update should be applied to all agreements (a) existing at the effective date and (b) entered into after the effective date with retrospective application permitted? If not, explain why.

Yes, we agree that the amendments should be applied to all agreements existing at the effective date and to those entered into after the effective date with retrospective application permitted.

Question 11:

The proposed amendments would apply to both public business entities and nonpublic business entities (private companies). Should the proposed amendments be different for nonpublic business entities? If so, describe why and how you think they should be different.

No, we do not believe there should be any differences in the proposed amendments for public business entities and nonpublic business entities.

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Question 12:

How much time would preparers need to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities that are not public business entities be different from the amount of time needed by public business entities?

We believe compiling a complete population of government assistance agreements at transition may be time consuming for some companies. In addition, many entities will need to develop new procedures and controls for ongoing compliance. We believe that the Board should provide time for preparers to adequately complete those activities and for auditors to perform associated audit procedures.

