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2015-340  
Comment Letter No. 11

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Technical Director  
Financial Accounting Standards Board  
P.O. Box 5116  
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Dear Director,

I appreciate the opportunity to comment on the proposed Accounting Standard Update "Disclosures by Business Entities about Government Assistance." I believe that this project will benefit investors and other users of financial statements. Information about the amount, nature, and timing of governmental assistance is sparse and inconsistent, yet could such information provide investors with material insights about the sources and durations of earnings and cash flows for a firm. The proposed disclosures are a worthwhile first step in bringing this information into view.

Presently, investors may be completely blind to the level of governmental assistance provided to companies of interest. Governmental assistance may be providing some companies with an advantage over others that is completely invisible under current accounting and disclosure standards. Investors may not only have no idea about the level of such assistance, they also may have no idea when such assistance may be expiring or eliminated. Investor expectations may be more accurately framed if this information is provided by all entities in a consistent manner.

If such information is provided, it may also bring to light differences among firms in the accounting for governmental assistance - something that will also help investors understand the differences in earnings and cash flows for companies receiving this assistance. Thus, this project may only be the start of more projects dealing with accounting for governmental assistance - and it is a good start.

I have not addressed all the questions in the proposal document; I answered only the ones that I could address with the most conviction.

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**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?

I believe the scope of the project is adequate. I do not believe that it is necessary to expand the scope to include transaction where the government is required to provide nondiscretionary assistance, or where the government is an ordinary customer.

**Question 2:** Do you agree that the proposed disclosure requirements should be the same for both domestic assistance and foreign assistance?

I believe that the proposed disclosures should be made for both domestic and foreign assistance. The objective should be to capture all information related to governmental assistance, regardless of which government is providing assistance. Investors would want to know how much financial help a firm may be receiving, regardless of which country or countries provided the 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?

The scope of the project should include government assistance agreements that are within the scope of income tax accounting standards. It would seem very likely that significant governmental assistance could be provided through tax mechanisms. Excluding disclosures about governmental assistance through tax mechanisms would defeat the objective of providing comprehensive information about governmental assistance.

**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?

Speaking from the investor point of view, it would seem that firms should have such information available to management already. It does not seem if the companies would be capturing new information, but perhaps only bringing all financial information about governmental assistance into one central location. Similarly, it does not seem to be the kind of information that cannot be audited. One would expect that the information relates to genuine, complete transactions. It's not as if auditors would be dealing with, say, estimated amounts requiring Level Three model selection.

**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.

I agree that an entity should be required to disclose the amount of assistance received, but not recognized directly. A firm's management is in the best position to estimate how much benefit they received from a certain kind of governmental assistance, as opposed to investors. For example, a firm might receive a 100 basis point lower rate of interest on a specific loan due to a guarantee by a municipal authority. The exact amount of the benefit is not apparent to disclose as an amount received, but the firm would know specifically the loan's rate of interest without the guarantee - and could quantify that amount over the periods covered by the loan's term.

Some constituents might recommend that only the nature of the governmental assistance be disclosed, and allow investors to calculate their own estimate of the amount. I would not support this approach, because investor estimates could vary widely; preparers might be unhappy with the variations and innuendos that might develop.

For these reasons, I would not support a practicability exception for this disclosure; I believe that firms are sophisticated enough to develop meaningful estimates of the ultimate benefit from such forms of governmental assistance.

**Question 8:** For users, do you agree that the information required by the proposed amendments would improve transparency about government assistance agreements?

As indicated in my comments on the first page, I believe the information required by the proposal would be valuable for investors' use. It may be important for analysis, but without some disclosure and presentation standards built around such information, we simply don't know what we've been missing.

I would strongly suggest that all of the assistance information be pooled together in one central table, as part of a governmental assistance footnote. This would be analogous to the SEC's table of contractual obligations in the management's discussion and analysis. This would be a much more effective presentation than having the disclosures sprinkled throughout all of the footnotes.

**Question 9:** The proposed amendments would not amend Topic 270, Interim Reporting, to add any specific interim disclosure requirements. Instead, required interim disclosures about government assistance would be limited to material changes occurring since the most recent annual period. Should the proposed amendments include additional interim disclosure requirements? If so, what disclosures do you think should be added and why?

I would prefer that such information be made on an interim basis, simply on the grounds that more timely information would always be more useful to investors. It would also be more consistently provided, perhaps, than if it was limited to only material changes since the most recent annual period.

**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?

I agree with the implementation scope described in this proposal.

**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?

I cannot think of a good reason for nonpublic business entities to be exempt from this proposal. Governmental assistance may be just as crucial to the success or failure of nonpublic business entities as it may be for public firms. Nonpublic business entities have their own sets of investors and lenders, and they would benefit from these disclosures as well as public firms' investors and lenders.

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I have no further comments, but if you need clarification or amplification, please do not hesitate to contact me. Best regards.

Sincerely,



Jack T. Ciesielski

